

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF ALABAMA  
NORTHERN DIVISION

KOCH FOODS OF ALABAMA, LLC,  
an Alabama limited liability company,

Plaintiff and Counter-  
Defendant,

vs.

GENERAL ELECTRIC CAPITAL  
CORPORATION, a Delaware corporation,

Defendant and Counter-  
Plaintiff,

CIVIL ACTION NO.  
2:07 CV 522-MHT

GENERAL ELECTRIC CAPITAL CORPORATION'S MOTION IN LIMINE TO  
EXCLUDE OPINIONS AND TESTIMONY OF EXPERT DAVID DALFONSO  
PURSUANT TO RULES 702 AND 403 OF THE FEDERAL RULES OF EVIDENCE

General Electric Capital Corporation ("GE Capital"), through its undersigned counsel, in conjunction with Rules 403 ("Rule 403") and 702 ("Rule 702") of the Federal Rules of Evidence, moves this Court for an *in limine* order directing that Koch Foods of Alabama, LLC ("Koch Foods") be barred from soliciting or introducing the opinions and testimony of David Dalfonso ("Mr. Dalfonso") contained in the Expert Report of David Dalfonso of Rosen Systems, Inc. (the "Dalfonso Expert Report"), which: (a) fail to meet the requirements for admissibility for expert testimony under Rule 702; and/or (b) are properly excluded from evidence pursuant to Rule 403.

In support of this motion, GE Capital states as follows:

1. On May 25, 2007, Koch Foods filed its Complaint for Declaratory Judgment and for Unjust Enrichment (the "Complaint"), pursuant to which Koch Foods sought a declaratory judgment that it owed certain equipment formerly leased to Sylvest Farms, Inc. by GE Capital (the "Equipment"). In response, on June 13, 2007, GE Capital filed its Answer to Complaint for

Declaratory Judgment and for Unjust Enrichment and Counterclaim for Conversion, wherein GE Capital asserted its claim that Koch Foods converted the Equipment.

2. The conversion claim is based, *inter alia*, on Koch Foods's claims that it owns the Equipment and Koch Foods's assertion that its ownership commenced in May 2006. *See Complaint*, ¶ 17; *GE Capital's Combined Statement of Material Facts as to Which There Is No Genuine Issue of Dispute and Memorandum of Law in Support of Its Motion for Summary Judgment*, filed December 7, 2007 (Doc. No. 45), ¶ 22.

3. On October 30, 2007, Koch Foods served on GE Capital a copy of the Expert Report of David Dalfonso (the "Dalfonso Expert Report"). *See E-mail from M. Xu dated October 30, 2007*, a copy of which is attached hereto as Exhibit A. In the Dalfonso Expert Report, Mr. Dalfonso values the Equipment as of only one date – October 19, 2007 – which is more than fifteen (15) months after the date of the conversion of the Equipment. *Dalfonso Expert Report*, pp. 1-2; *see also* ¶ 2, *supra*.

4. Under Alabama law, the general measure of damages for a conversion claim is the value of property *at the time of conversion*, plus interest from the date of the conversion to the date of the trial. *See, e.g., Charter Hosp. of Mobile v. Weinberg*, 558 So. 2d 909, 912 (Ala. 1990) (allowing damages in the amount of the value of the property at the time of conversion, or up until the time of trial, whichever is greater, plus 6% interest from the date of the conversion to the date of the trial); *Driver v. Hice*, 618 So. 2d 129 (Ala. Civ. App. 1993) (measure of compensatory damages in a conversion claim is the value of the property at the time of conversion, plus interest).

5. In the Dalfonso Expert Report, Mr. Dalfonso has stated no opinions and provides no information that relates to the value of the Equipment *at the time of the conversion*. Indeed,

during the fifteen-month lapse between the conversion of the Equipment and Mr. Dalfonso's valuation, the deboning equipment that constitutes the major portion of the Equipment (the "Deboning Equipment") was removed from the processing facility where it had been installed and operational at the time of the conversion, and was placed outside the processing facility in piles where it was and continues to be exposed to the elements. *See Dalfonso Expert Report*, p. 13 (noting that the Deboning Equipment was "located in [Koch Foods's] yard and disassembled").<sup>1</sup> As such, by the time Mr. Dalfonso evaluated the Equipment, it was in a substantially different physical state than it was at the time of the conversion, and this altered state negatively impacted the value of the Equipment.<sup>2</sup>

6. Furthermore, the Dalfonso Expert Report does not contain any information or opinions that would provide a basis for: (a) evaluating the value of the Equipment as of May 2006; or (b) evaluating the impact that the altered physical condition of the Equipment would have on its value. Mr. Dalfonso is now precluded from offering any such opinions or testimony. *See FED. R. CIV. P. 26(A)(2); FED. R. CIV. P. 37(c)(1)*.

7. In order for the Dalfonso Expert Report to be admissible under Rule 702 of the Federal Rules of Evidence, Koch Foods must demonstrate the following:

(1) the expert is qualified to testify competently regarding the matters he intends to address; (2) the methodology by which the expert reaches his conclusions is sufficiently reliable as determined by the sort of inquiry mandated in Daubert; and (3) the testimony assists the trier of fact, through the application of scientific,

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<sup>1</sup> The Deboning Equipment was moved outside approximately six months prior to the effective date of the Dalfonso Expert Report.

<sup>2</sup> Mr. Dalfonso acknowledges that "[t]he fact that the [Deboning Equipment] has been dismantled limits its additional value" under the Fair Market Value In Place estimation. *See Letter from D. Dalfonso to M. Xu, dated October 30, 2007, and included as an addendum to the Dalfonso Expert Report.*

technical, or specialized expertise, to understand the evidence or to determine a fact in issue.

*U.S. v. Frazier*, 387 F.3d 1244, 1260 (11<sup>th</sup> Cir. 2004); *City of Tuscaloosa v. Harcross Chems., Inc.*, 158 F.3d 548, 562 (11<sup>th</sup> Cir. 1998) (same). The party offering the expert has the burden of satisfying these elements by a preponderance of the evidence. *See Rink v. Cheminova, Inc.*, 400 F.3d 1286, 1292 (11<sup>th</sup> Cir. 2005).

8. Here, Koch Foods has not demonstrated that the testimony and opinions included in the Dalfonso Expert Report “assist the trier of fact . . . to understand the evidence or to determine a fact in issue.” *U.S. v. Frazier*, 387 F.3d at 1260.

9. Given the substantial alterations made to the Equipment between the time of the conversion and the effective date of the Dalfonso Expert Report, the Dalfonso Expert Report fails to provide any assistance to the trier of fact in determining a fact in issue, and certainly does not assist the trier of fact in determining the value of the Equipment at the time of the conversion. As such, the opinions and testimony included in the Dalfonso Expert Report should be excluded for failure to meet the requirements of Rule 702.

10. Furthermore, the opinions and testimony included in the Dalfonso Expert Report should be excluded from evidence under Rule 403, which provides that “evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.” Fed. R. Evid. 403.

11. “Because of the powerful and potentially misleading effect of expert evidence, sometimes expert opinions that otherwise meet the admissibility requirements may still be excluded by applying Rule 403.” *U.S. v. Frazier*, 387 F.3d at 1263 (internal citations omitted). “Exclusion under Rule 403 is appropriate if the probative value of otherwise admissible evidence

is substantially outweighed by its potential to confuse or mislead the jury.” *Id.* (noting that a court, in weighing possible prejudice under Rule 403 exercises more control over experts than over lay witnesses).

12. For the reasons stated above, in the instant case the information and opinions contained in the Dalfonso Expert Report have virtually no probative value. They relate to a period fifteen months after the Equipment was converted, and after significant and detrimental modifications were made to both the location and physical condition of the Deboner Equipment. When this absence of probative value is weighed against the possibility that the Dalfonso Expert Report may be used to confuse and mislead the jury, the balance points strongly in favor of exclusion.

WHEREFORE, GE Capital seeks the entry of an order: (a) barring the testimony and opinions included in the Dalfonso Expert Report for failure to meet the requirements for admissibility under Federal Rule of Evidence 702; (b) barring the testimony and opinions included in the Dalfonso Expert Report because their probative value is substantially outweighed by the probability that they will mislead the jury; and (c) granting any further relief that this Court deems to be appropriate under the circumstances.

Dated: March 31, 2008.

By: /s/ Rusha C. Smith  
Attorney for General Electric Capital  
Corporation

OF COUNSEL:  
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CERTIFICATE OF SERVICE

I hereby certify that on March 31, 2008, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the following:

Thomas G. Mancuso, Esq.  
Thomas T. Gallion, III, Esq.  
Constance C. Walker, Esq.  
Haskell Slaughter Young & Gallion, LLC  
305 South Lawrence Street  
Montgomery, AL 36103-4660

Eugene J. Geekie, Jr., Esq.  
Mike Xu, Esq.  
Schiff Hardin LLP  
6600 Sears Tower  
Chicago IL 60606

/s/ Rusha C. Smith  
COUNSEL

# **EXHIBIT A**

**Pille, Ann E.**

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**From:** Xu, Mike Z. [MXu@schiffhardin.com]  
**Sent:** Tuesday, October 30, 2007 5:21 PM  
**To:** Pille, Ann E.; Harris, Timothy S.; rsmith@bradleyarant.com  
**Cc:** ZZ-Geekie, Gene; tgm@mancusofranco.com  
**Subject:** Koch v. GECC: Expert Report of David Dalfonso  
**Attachments:** 07 10 30 Expert Report - Rosen System.PDF

Attached is a copy of the Expert Report of David Dalfonso, pursuant to Section 8 of the Court's Uniform Scheduling Order entered on July 17, 2007. This report is also being sent to your office via U.S. Mail.

Thanks.

Mike

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**From:** Pille, Ann E. [mailto:APille@ReedSmith.com]  
**Sent:** Monday, October 01, 2007 4:28 PM  
**To:** Geekie Jr., Eugene J.; tgm@mancusofranco.com; Xu, Mike Z.  
**Cc:** Harris, Timothy S.; Terras, Alexander  
**Subject:** Koch v. GE: Expert Report of Robert Breakstone

Gentlemen,

Attached for your records please find a copy of the Expert Report of Robert Breakstone, prepared in relation to the Koch v. GECC matter. This report is also being sent to your offices today via facsimile and regular mail.

Kind regards,

-Ann

<<Breakstone Expert Report.pdf>>

Ann Pille  
312.207.3870  
apille@reedsmith.com

**Reed Smith**LLP

10 South Wacker Drive  
Chicago, Illinois 60606  
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Fax 312.207.6400

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\* \* \*

03/31/2008

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EFFECTIVE DATE: OCTOBER 19, 2007

**EXPERT REPORT  
OF  
DAVID DALFONSO OF ROSEN SYSTEMS, INC.  
FOR  
SCHIFF HARDIN LLP  
IN THE MATTER OF  
KOCH FOODS OF ALABAMA, LLC V. GENERAL ELECTRIC  
CAPITAL CORPORATION**

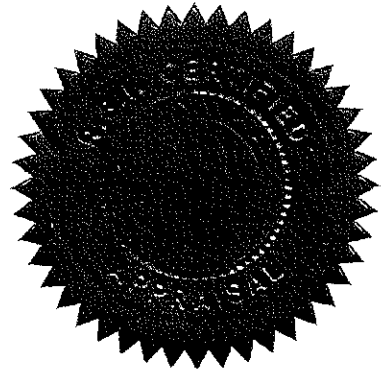
Case No. 07 C 522

4530 Mobile Highway  
Montgomery  
Alabama 36108

"ORDERLY LIQUIDATION VALUE"

"FAIR MARKET VALUE"

"FAIR MARKET VALUE IN PLACE"



APPRAISER: David A. Dalfonso, CEA

# Rosen Systems, Inc.

17744 Preston Road, Suite 100  
Dallas, Texas 75252-5736  
Office: 972-248-2288  
800-527-5134  
Fax: 972-248-6887  
<http://www.rosensys.com>

October 29, 2007

Mr. Mike Zhiyuan Xu  
Schiff Hardin LLP  
6600 Sears Tower  
Chicago, IL 60606

## APPRAISAL

As requested, an inspection and appraisal of SELECTED ASSETS OF KOCH FOODS, located 4530 Mobile Highway, Montgomery, Alabama 36108, has been conducted by ROSEN SYSTEMS INC. The equipment was physically inspected OCTOBER 19, 2007, which is the effective date of the appraisal. The purpose of this appraisal is to arrive at a conclusion of Orderly Liquidation Value, Fair Market Value and Fair Market Value In Place for these assets effective the date of inspection; we do not intimate that there could not be any fluctuation of the values in the future. The fee for this report is for our expressed opinion at the time of inspection, with no warranties or guarantees of the outcome if values are tested at any future date.

This appraisal sets forth the findings and conclusions which are based upon our investigation of conditions affecting value and which are subject to the Statement of Limiting Conditions and Definition contained in the following report. Without reading the Statement of Limiting Conditions and Definition, the report could be erroneously interpreted. This is a complete summary appraisal report.

We have made a concerted effort to obtain the most recent comparable information. The values shown in this report are based upon this information and continuous conversations with industry professionals.

This report is intended for use only by the addressee listed above and is intended only for use in financing transactions. Use of this report by others is not intended by the appraiser, nor is the report intended for any other use unless express written consent is further granted.

Thank you for the opportunity to be of service in this matter.

Respectfully submitted,

ROSEN SYSTEMS INC.



David A. Dalfonso, CEA  
Vice President

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## RECAPITULATION

### SELECTED ASSETS OF KOCH FOODS

4530 Mobile Highway

Montgomery, Alabama 36108

OCTOBER 19, 2007

### "ORDERLY LIQUIDATION VALUE"

\* \* \* \$175,000 \* \* \*

(One Hundred Seventy-Five Thousand Dollars)

### "FAIR MARKET VALUE"

\* \* \* \$ 300,000 \* \* \*

(Three Hundred Thousand Dollars)

### "FAIR MARKET VALUE IN PLACE"

\* \* \* \$450,000 \* \* \*

(Four Hundred Fifty Thousand Dollars)

STATEMENT OF LIMITING CONDITIONS:

All facts and data set forth in this report are true and correct to the best of your appraiser's knowledge and belief.

Personal inspection of fixed assets has been made unless noted otherwise.

The fee for this appraisal report is not contingent upon the results reported. There have not been any guarantees associated with this fee and no liability can be intimated or assumed in any manner.

As this report has been purchased by the addressee, we assume it is to be used by the addressee in determination of value at that point in time. This report should be used with the understanding that neither purchase of the report nor payment of the appraisal fee carries with it any guarantees of future tested value, nor does it imply absence of risk regarding possible value change.

Physical condition in most instances either has been determined by inspection or based upon information provided by others. Any unknown or hidden conditions existing at the time of inspection could alter the value.

No consideration has been given to liens or encumbrances which may be against the property.

No investigation of legal fee or title to the property has been made, and the claim to the property has been assumed valid.

Neither the appraiser nor any officer or employee of ROSEN SYSTEMS, INC. has any financial interest in the property appraised.

This appraisal is based upon Orderly Liquidation Value, Fair Market Value and Fair Market Value In Place as defined under the Definition heading.

No additional values or appraisals have been made in regard to such intangibles as patents, rights to manufacture, trademarks, goodwill, going concern, etc.

The valuation concept used in this report is one chosen by the client and should not be considered a recommendation by ROSEN as to what might result in the application of the concept. Concept probability and/or feasibility is beyond the scope of the appraisal. The user of the report is to determine the probability of occurrence. The appraisal is purchased in order to allow an opinion of value under an assumed set of circumstances, as requested and mutually agreed upon by the client and ROSEN SYSTEMS, INC.

STATEMENT OF LIMITING CONDITIONS (CONTINUED):

NO ANALYSIS, OBSERVATION, INSPECTION OR STUDY OF ANY KIND OR CHARACTER IS MADE AND NO CONSIDERATION IS IN ANY MANNER TAKEN INTO ACCOUNT WITH RESPECT TO THE POTENTIAL OR POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES OR WASTE ON THE PROPERTY APPRAISED, INCLUDING BUT NOT LIMITED TO EXAMINATION OR INVESTIGATIONS FOR THE PRESENCE OF ASBESTOS, POLYCHLORINATED BIPHENYLS, OR ANY OTHER SUBSTANCE WHICH IS REGULATED BY LAW OR POSES A HAZARD TO HUMAN HEALTH OR THE ENVIRONMENT.

Court testimony shall not be required as a consequence of the performance of this appraisal unless arrangements are made with the appraiser at additional fee.

Other limitations, if any, are clearly defined and individually signified at a point in the appraisal relating to the subject.

APPRAISAL  
GENERAL INFORMATION

PURPOSE OF APPRAISAL:

The purpose of this appraisal is to estimate the Orderly Liquidation Value, Fair Market Value and Fair Market Value In Place of the subject personal property. In estimating these values, it has been necessary to make a physical inspection and listing of the property contained in this report. The results are reported in this appraisal.

FUNCTION OF APPRAISAL:

The property interest (rights) appraised is that of ownership in fee simple (unless otherwise noted), and the subject assets are appraised as if free and clear, without liens or encumbrances (unless otherwise noted).

ORDERLY LIQUIDATION VALUE CONCEPT:

The estimated gross dollar amount derived from the sale of the assets, given limited time to find a purchaser or purchasers, and considering a completed sale of all assets. No guarantee or warranty is made as to condition, and purchasers are responsible for removal of the purchased assets at their own risk and expense. The concept allows only limited time for market exposure, and also considered is the physical condition, quantity, difficulty of removal, as well as the overall marketability of the asset group. Any deletions or additions to that list could change the psychological and/or monetary appeal necessary to gain the price indicated.

The definition also assumes that all equipment would be sold on a piecemeal basis "as is" and "where is," with the buyers being responsible for the removal at their own risk and expense. It does not assume additional values which could be generated such as product line, equipment in place, going operation, or other types of values which could or may be produced at such an auction sale but could not be realistically anticipated by an appraiser.

No consideration is given to additional value that might be obtained because of product line or other elements of value that could or might be produced at liquidation, but could not be reasonably assumed.

FAIR MARKET VALUE CONCEPT:

"The price that a willing buyer would be justified in paying and a willing seller would be warranted in accepting if each is: (1) well informed or well advised; (2) motivated by reactions of typical users; (3) free from undue stimulus; (4) financially capable of ownership and/or use; (5) allowed a reasonable length of time in which to test the market."

For all personal property appraised, it also represents the amount a reputable and qualified appraiser, unaffected by personal interest, bias or prejudice, would recommend as a proper selling price in light

of prevailing conditions.

FAIR MARKET VALUE IN PLACE CONCEPT:

"Market value is the price that a willing buyer would be justified in paying and a willing seller would be warranted in accepting if each is: (1) well informed or well advised; (2) motivated by reactions of typical users; (3) free of undue stimulus; (4) financially capable of ownership and/or use; (5) allowed a reasonable time in which to test the market."

As particularly applied to equipment, the Fair Market Value In Place is the value of a piece of equipment as installed for intended utilization of the date of the appraisal.

ORDERLY LIQUIDATION VALUE  
PURPOSE AND METHOD OF APPRAISAL

The purpose of this appraisal is to estimate the Orderly Liquidation Value of the subject machinery and equipment.

In estimating Liquidation Value, the appraiser(s) has considered the following approaches in arriving at indicators of value.

COST APPROACH - An estimate of the present replacement cost of the machinery and equipment less accrued depreciation. Depreciation includes loss in value due to physical deterioration as well as functional and economic obsolescence. Functional obsolescence is the decreased capacity of the item to perform the function for which it is intended in terms of current standards and specifications. Functional obsolescence may stem either from a deficiency within the item such as poor design or outmoded style or may result from superadequacy or overdesign. Economic obsolescence represents a loss in value from factors outside the item appraised, such as a depressed market for the end product manufactured by the item of machinery or equipment. These factors generally are characterized as "negative external forces" which have an impact upon the item appraised. The Cost Approach is utilized primarily as a secondary value indicator since it often fails to quantify the inherent loss in value under liquidation conditions.

SALES COMPARISON APPROACH - Comparison with similar items that have sold or are currently offered for sale in the marketplace. By comparing the items appraised with similar items which have recently sold or are currently offered for sale, an estimate can be made of the Orderly Liquidation Value. In these comparable items, pertinent factors of comparison (which include capacity, age, location, and date of sale when applicable) were considered in arriving at an adjusted value for each subject item appraised. Marketability of each item of machinery and equipment is also a determinant of value. Marketability, as a measure of demand, is approximated through recent sales under liquidation conditions of comparable items of machinery and equipment. Where actual sales are not available, relationships are often established based upon used equipment prices for comparable items with subsequent adjustments for liquidation conditions.

DIRECT SALES COMPARISON of similar items of machinery and equipment under liquidation conditions is the preferable and most often used approach used in determining Liquidation Value. The assignment for any liquidation value appraised does not necessarily indicate the concept as a proper method of disposal if market test be required at a future date. These value concepts and their inherent assumptions are requested for various uses or guidelines by the addressee shown on the letter of transmittal. The assumed set of circumstances may not come together to allow the concept to be recommended when and if a liquidation should be required.

ORDERLY LIQUIDATION VALUE -  
PURPOSE AND METHOD OF APPRAISAL (CONTINUED):

In certain instances, as in the case of custom machinery and equipment, a market analysis may be undertaken to ascertain current demand/marketability and subsequent value. Market analysis may also be undertaken if functional or economic obsolescence is a key factor in a major machine tool or piece of equipment.

Certain categories of machinery and equipment are subject to routine loss in value as a result of usage (physical deterioration). In other instances, functional obsolescence in the form of more efficient and cost effective equipment is a factor in loss of value. These reasons, among others, are cited as major factors which limit the applicability of the values shown in regard to the effective date of this appraisal.

Note that the summary value indicated in this report represents an "aggregate" value based upon a items noted herein. For this reason, isolation of any single element as a sole basis of comparison may be inaccurate, and subsequent isolation of any single item appraised, or group of items appraised, could result in a variance from the values reported.

Under any value concept, time plays an important role in the final estimated value. Typically, the Forced Sale Liquidation concept compresses time to a minimum, and consequently values can reflect this. An Orderly Liquidation, if a proper concept and utilizing an experienced liquidator, can realize higher values given the greater length of time involved when contrasted with an auction sale. Naturally, the Fair Market Value, with its often undefined length of time for sale, can yield the highest appraisal value.

FAIR MARKET VALUE  
PURPOSE AND METHOD OF APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject machinery and equipment.

In estimating Fair Market Value, the appraiser(s) has used either one or a combination of the following approaches in arriving at indicators.

COST APPROACH - An estimate of the present replacement cost of the machinery and equipment less accrued depreciation. Depreciation includes loss in value due to physical deterioration as well as functional and economic obsolescence. Functional obsolescence is the decreased capacity of the item to perform the function for which it is intended in terms of current standards and specifications. Functional obsolescence may stem either from a deficiency within the item such as poor design or outmoded style or may result from superadequacy or overdesign. Economic obsolescence represents a loss in value from factors outside the item appraised, such as a depressed market for the end product manufactured by the item of machinery or equipment. These factors generally are

characterized as "negative external forces" which have an impact upon the item appraised.

SALES COMPARISON APPROACH - Comparison with similar items that have sold or are currently offered for sale in the marketplace. By comparing the items appraised with similar items which have recently sold or are currently offered for sale, an estimate can be made of the Fair Market Value. In these comparable items, pertinent factors of comparison (which include capacity, age, location, and date of sale when applicable) were considered in arriving at an adjusted value for each subject item appraised. Marketability of each item of machinery and equipment is also a determinant of value. Marketability, as a measure of demand, is approximated through recent sales in the marketplace of comparable items of machinery and equipment. Where actual sales are not available, relationships are often established based upon dealer "asking price" for comparable items.

DIRECT SALES COMPARISON of similar items of machinery and equipment under liquidation conditions is the preferable and most often used approach used in determining Liquidation Value. The assignment for any liquidation value appraised does not necessarily indicate the concept as a proper method of disposal if market test be required at a future date. These value concepts and their inherent assumptions are requested for various uses or guidelines by the addressee shown on the letter of transmittal. The assumed set of circumstances may not come together to allow the concept to be recommended when and if a liquidation should be required.

INCOME APPROACH – This approach was considered, but not deemed appropriate for this appraisal.

Values reflected in this report are based primarily upon one or a combination of both of the preceding methods with heavier emphasis on the Sales Comparison Approach, if sufficient data is available. In certain instances, as in the case of custom machinery and equipment, a market FAIR MARKET VALUE - PURPOSE AND METHOD OF APPRAISAL (CONTINUED): analysis may be undertaken to ascertain current demand/marketability and subsequent value. Market analysis may also be undertaken if functional or economic obsolescence is a key factor in a major machine tool or piece of equipment.

Certain categories of machinery and equipment are subject to routine loss in value as a result of usage (physical deterioration). In other instances, functional obsolescence in the form of more efficient and cost effective equipment is a factor in loss of value. These reasons, among others, are cited as major factors which limit the applicability of the values shown in regard to the effective date of this appraisal.

Finally, note that the summary value indicated in this report represents an "aggregate" value based upon all items noted herein. For this reason, isolation of any single element as a sole basis of comparison may be inaccurate, and subsequent isolation of any single item appraised, or group of items appraised, could result in a variance from the values reported.

FAIR MARKET VALUE IN PLACE  
PURPOSE AND METHOD OF APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject machinery and equipment.

In estimating Fair Market Value, the appraiser(s) has used either one or a combination of the following approaches in arriving at indicators.

COST APPROACH - An estimate of the present replacement cost of the machinery and equipment less accrued depreciation. Depreciation includes loss in value due to physical deterioration as well as functional and economic obsolescence. Functional obsolescence is the decreased capacity of the item to perform the function for which it is intended in terms of current standards and specifications. Functional obsolescence may stem either from a deficiency within the item such as poor design or outmoded style or may result from superadequacy or overdesign. Economic obsolescence represents a loss in value from factors outside the item appraised, such as a depressed market for the end product manufactured by the item of machinery or equipment. These factors generally are characterized as "negative external forces" which have an impact upon the item appraised.

SALES COMPARISON APPROACH - Comparison with similar items that have sold or are currently offered for sale in the marketplace. By comparing the items appraised with similar items which have recently sold or are currently offered for sale, an estimate can be made of the Fair Market Value. In these comparable items, pertinent factors of comparison (which include capacity, age, location, and date of sale when applicable) were considered in arriving at an adjusted value for each subject item appraised. Marketability of each item of machinery and equipment is also a determinant of value. Marketability, as a measure of demand, is approximated through recent sales in the marketplace of comparable items of machinery and equipment. Where actual sales are not available, relationships are often established based upon dealer "asking price" for comparable items.

Values reflected in this report are based primarily upon one or a combination of both of the preceding methods with heavier emphasis on the Sales Comparison Approach, if sufficient data is available. In certain instances, as in the case of custom machinery and equipment, a market analysis may be undertaken to ascertain current demand/marketability and subsequent value. Market analysis may also be undertaken if functional or economic obsolescence is a key factor in a major machine tool or piece of equipment.

Certain categories of machinery and equipment are subject to routine loss in value as a result of usage (physical deterioration). In other instances, functional obsolescence in the form of more efficient and cost effective equipment is a factor in loss of value. These reasons, among others, are cited as major factors which limit the applicability of the values shown in regard to the effective date of this appraisal.

FAIR MARKET VALUE IN PLACE -  
PURPOSE AND METHOD OF APPRAISAL (CONTINUED):

Finally, note that the summary value indicated in this report represents an "aggregate" value based upon all items noted herein. For this reason, isolation of any single element as a sole basis of comparison may be inaccurate, and subsequent isolation of any single item appraised, or group of items appraised, could result in a variance from the values reported.

#### USE AND INTERPRETATION OF REPORT

Because this is a computer-generated report, minor explanations may be necessary and helpful in utilizing the report to its fullest. Thus, the following instructions are presented, as you would normally read the report from left to right.

From the left, the first number is an entry number. If used, codes appear next and these will be numeric, alpha, or alpha-numeric. Explanations for the codes appear at the top of each page and in the code directory prior to the beginning of the list. The next entry is the quantity column, indicating totals or the word "lot." Numbers greater than one have been extended by the computer.

After the quantity is a description of the item, and beyond that the value or asterisk (\*). When used, the asterisk will be explained within the description.

When codes are present, a separate code directory will be entered at the end of the listing, thereby providing one additional area to reference codes and their description.

#### APPEARANCE CODES

Throughout the personal property listing, the reader may have noted letters within brackets within the description portion of the listing. These were utilized as an expedient method of describing appearance. Explanations for those letters are listed below.

Please understand that each code refers to appearance of items of similar age. Thus, a 1955 vertical mill with [A] appended indicates a comparison with other mills of that production era.

- [A] Excellent or new appearance
- [B] Above average
- [C] Average
- [D] Below average - "as is" indication
- [E] Poor - No relation to condition is intended, however, our experience has been that appearance often leads to conclusions as to condition.

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PERSONALTY

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# APPRAISAL

Code 1:

Code 2:

KOCH FOODS - SELECTED ASSETS

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
1			1	CHICKEN BREAST DEBONING LINE, DESIGNED AND MFG. BY D & F EQUIPMENT IN CROSSVILLE, AL., MFG. AND INSTALLED LATE 2005, (6) SINGLE OR (3) DOUBLE LINES, EACH LINE SET UP FOR APPROX. (35) - (40) BIRDS PER MIN. CAP., (2) DOUBLE CONE LINES ARE COMPLETE WITH ALL RELATED COMPONENTS AND (1) CONE LINE IS INCOMPLETE WITH ONLY THE CONE SECTIONS AND SOME MINOR COMPONENTS, CURRENTLY LOCATED IN YARD AND DISASSEMBLED, VALUED IN PRESENT CONDITION *VALUED AS COMPLETE LINE	100,000.00	200,000.00	225,000.00
2			1	DUMPER, STAINLESS STEEL FRAME, PNEUMATICALLY OPERATED, W/ELEVATOR TYPE DUMP BIN, RELATED EQUIPMENT, COMPONENTS, #019A-02B *W/CHICKEN BREAST DEBONING LINE	*	*	*
3			1	DUMPER, STAINLESS STEEL FRAME, PNEUMATICALLY OPERATED, W/ELEVATOR TYPE DUMP BIN, RELATED EQUIPMENT, COMPONENTS, #019-X1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
4			1	DUMPER, STAINLESS STEEL FRAME, PNEUMATICALLY OPERATED, W/ELEVATOR TYPE DUMP BIN, RELATED EQUIPMENT, COMPONENTS, #019A-02A *W/CHICKEN BREAST DEBONING LINE	*	*	*
5			1	DE-ICING BIN, STAINLESS STEEL CONSTRUCTED, TUBULAR MOUNTED, W/ANGLED BAR GRATING, DRIP PAN, RELATED EQUIPMENT, COMPONENTS, #019A-03B *W/CHICKEN BREAST DEBONING LINE	*	*	*
6			1	DE-ICING BIN, STAINLESS STEEL CONSTRUCTED, TUBULAR MOUNTED, W/ANGLED BAR GRATING, DRIP PAN, RELATED EQUIPMENT, COMPONENTS, #019A-03A *W/CHICKEN BREAST DEBONING LINE	*	*	*
7			1	DE-ICING BIN, STAINLESS STEEL CONSTRUCTED, TUBULAR MOUNTED, W/ANGLED BAR GRATING, DRIP PAN, RELATED EQUIPMENT, COMPONENTS, #019-5 *W/CHICKEN BREAST DEBONING LINE	*	*	*
8			1	RECIRCULATING CONVEYOR, DOUBLE LANE, ALL STAINLESS STEEL CONSTRUCTED, HEAVY DUTY STAND MOUNTED, W/MOTOR, DRIVE, APPROX. 48"W X 12'L, D & F MDL. DFM500, S/N S36019A-04A *W/CHICKEN BREAST DEBONING LINE	*	*	*
9			1	RECIRCULATING CONVEYOR, DOUBLE LANE, ALL STAINLESS STEEL CONSTRUCTED, HEAVY DUTY STAND MOUNTED, W/MOTOR, DRIVE, APPROX. 48"W X 12'L, D AND F MDL. DFM500, S/N S36019A-04B *W/CHICKEN BREAST DEBONING LINE	*	*	*
10			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, APPROX. 20'L INTERMEDIATE SECTION, PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, #019-01-2, W/WING CONVEYOR W/#019A-05A *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:

Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
11			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, APPROX. 20'L #019A-X43#2	*	*	*
12			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, W/PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, APPROX. 25'L, DOUBLE LANE, W/MOTOR, DRIVE, #019-X43, ENTRY/IDLER SECTION	*	*	*
13			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, W/PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, APPROX. 20'L, EXIT/DRIVE SECTION, #019X43#1, W/TENDER AND BREAST CONVEYORS W/#019A-X44#1 AND #019A-14#1, W/MOTOR, DRIVE *W/CHICKEN BREAST DEBONING LINE	*	*	*
14			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, KNUCKLE CHAIN PLASTIC CONVEYOR, STAINLESS STEEL DEBONING CONES, APPROX. 20'L EXIT/DRIVE SECTION, W/MOTORS, DRIVE, #019-01-#1, W/TENDER FILLET CONVEYOR SECTIONS MOUNTED IN MIDDLE, PLATE SHOWS MDL. DFDC1015, S/N S36019A-01, #019-2A AND #0192-B *W/CHICKEN BREAST DEBONING LINE	*	*	*
16			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, APPROX. 20'L ENTRY/IDLER SECTION, W/MOTOR, DRIVE, #019-01-#3, W/MIDDLE MOUNTED A-FRAME BAR GRATING CATCH RACK *W/CHICKEN BREAST DEBONING LINE	*	*	*
17			1	CONE SECTION, ALL STAINLESS STEEL CONSTRUCTED, PLASTIC KNUCKLE CHAIN CONVEYOR, STAINLESS STEEL DEBONING CONES, DOUBLE LANE, APPROX. 20'L, INTERMEDIATE SECTION, #019A-01#2, W/WINGTIP MIDDLE MOUNTED CONVEYOR SECTION #019A-05#2 *W/CHICKEN BREAST DEBONING LINE	*	*	*
18			1	WINGTIP CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, L-SHAPED, SINGLE LANE, MOTOR, DRIVE, PLATE SHOWS MDL. DFM500, S/N 36019A-05B *W/CHICKEN BREAST DEBONING LINE	*	*	*
19			1	WINGTIP CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, L-SHAPED, SINGLE LANE, MOTOR, DRIVE, PLATE SHOWS MDL. DFM500, S/N 36019A-05A *W/CHICKEN BREAST DEBONING LINE	*	*	*
20			1	WINGTIP CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, L-SHAPED, SINGLE LANE, MOTOR, DRIVE, PLATE SHOWS MDL. DFM500, S/N 36019-2B *W/CHICKEN BREAST DEBONING LINE	*	*	*
21			1	WINGTIP CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, L-SHAPED, SINGLE LANE, MOTOR, DRIVE, PLATE SHOWS MDL. DFM500, S/N S36019-2A *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:

Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
22			1	FEED CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, EACH SECTION APPROX. 15'L, #19-07B#2, #19-07#1, W/MOTOR, DRIVE *W/CHICKEN BREAST DEBONING LINE	*	*	*
23			1	WING INCLINE CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, EACH L-SHAPED, (1) W/MOTOR, DRIVE, #19A-06B#2 AND #019A-06B#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
24			1	WING INCLINE CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, EACH L-SHAPED, (1) W/MOTOR, DRIVE, #19A-06D#2 AND #019-06D#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
26			1	WING INCLINE CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, EACH L-SHAPED, (1) W/MOTOR, DRIVE, #19-6C#2 AND #019A-06#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
27			1	WING INCLINE CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, EACH L-SHAPED, (1) W/MOTOR, DRIVE, #19A-06A#2 AND #019A-06A#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
28			1	FEED CONVEYOR, (2) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, DRIVE SECTION APPROX. 15'L AND OUTFEED SECTION APPROX. 20'L, W/MOTOR, DRIVE, SINGLE LANE, #019A-17#1 AND #019A-17#2 *W/CHICKEN BREAST DEBONING LINE	*	*	*
30			1	TENDER/BREAST INCLINE CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, L-SHAPED, W/MOTOR, DRIVE, #019A-12A#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
31			1	TENDER/BREAST INCLINE CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, L-SHAPED, W/MOTOR, DRIVE, #019A-12B#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
32			1	TRIM INCLINE CONVEYOR, (2) PIECES DISASSEMBLED, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, MOTOR AND DRIVE SECTION IS S-SHAPED, FEED SECTION APPROX. 15'L, PLATE SHOWS MDL. DFM500, S/N S-36019-X5, TAG SHOWS #019-X5/019-24, *W/CHICKEN BREAST DEBONING LINE	*	*	*
33			1	FINISH PRODUCT CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, S-SHAPED SECTION AND APPROX. 15'L FEED SECTION W/MOTOR, DRIVE #019A-X4#2 AND #019-X4#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
34			1	SKIN CONVEYOR, DISASSEMBLED IN (4) SECTIONS, INCLUDES S-SHAPED SECTION W/MOTOR, DRIVE, (3) APPROX. 10' FEED SECTIONS, SINGLE LANE, #017A-01#1, #019A-10, #019A-10,K #019A-10#2 *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:

Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
35			1	WING CUT OFF SAW, ALL STAINLESS STEEL CONSTRUCTED, STAND MOUNTED, APPROX. 10" BLADE, 3/4 HP MOTOR, PLATE SHOWS MDL. DFKFCS450, S/N S36019X88, *W/CHICKEN BREAST DEBONING LINE	*	*	*
36			1	WING CUT OFF SAW, ALL STAINLESS STEEL CONSTRUCTED, STAND MOUNTED, APPROX. 10" BLADE, 3/4 HP MOTOR, PLATE SHOWS MDL. DFKFCS450, S/N S36019X88, *W/CHICKEN BREAST DEBONING LINE	*	*	*
37			1	WING CUT OFF SAW, ALL STAINLESS STEEL CONSTRUCTED, STAND MOUNTED, APPROX. 10" BLADE, 3/4 HP MOTOR, PLATE SHOWS MDL. DFKFCS450, S/N S36019X88, *W/CHICKEN BREAST DEBONING LINE	*	*	*
38			1	WING CUT OFF SAW, ALL STAINLESS STEEL CONSTRUCTED, STAND MOUNTED, APPROX. 10" BLADE, 3/4 HP MOTOR, PLATE SHOWS MDL. DFKFCS450, S/N S36019X88, *W/CHICKEN BREAST DEBONING LINE	*	*	*
39			1	CARCASS CONVEYOR, DISASSEMBLED IN (5) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, DRIVE SECTION SHOWS MDL. DFM 500 WITH S/N S36019A-13, #19A-13#1, (3) SECTIONS W/19A-13#2, (1) TOP MOUNTED HOOD SECTION W/19A-13#3 *W/CHICKEN BREAST DEBONING LINE	*	*	*
40			1	WING CONVEYOR LINE, CURRENTLY DISASSEMBLED IN (4) SECTIONS, ALL STAINLESS STEEL CONSTRUCTED, (1-1/2) SECTIONS OF SINGLE LANE AND (2-1/2) SECTIONS OF DOUBLE LANE, W/MOTOR, DRIVE, #19A-09, #019A-09#2, #19A-09 AND (1) # NOT AVAILABLE *W/CHICKEN BREAST DEBONING LINE	*	*	*
41			1	TENDER/BREAST CONVEYOR, CURRENTLY DISASSEMBLED IN (3) SECTIONS, (1) APPROX. 10'L DOUBLE LANE NON-DRIVE SECTION W/19A-X44#2, (2) S-SHAPED SINGLE LANE CONVEYORS EACH W/MOTOR, DRIVE, #019A-14 AND #019A-X44, PLATE SHOWS MDL. DFM 500 WITH S/N S36019-14, #019A-14#2, *W/CHICKEN BREAST DEBONING LINE	*	*	*
42			1	FULL BOX CONVEYOR, DISASSEMBLED IN (3) SECTIONS, EACH APPROX. 10'L, (1) W/MOTOR, DRIVE, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, APPROX. 18"W, #019A-29#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
43			1	FINISHED PRODUCT INCLINE CONVEYOR, ALL STAINLESS STEEL, S-SHAPED, APPROX. 20' TOTAL, SINGLE LANE, APPROX. 8"W PLASTIC BELT, PLATE SHOWS MDL. DFM 500, S/N S-36019-03, #019-3A, *W/CHICKEN BREAST DEBONING LINE	*	*	*
44			1	FINISHED PRODUCT INCLINE CONVEYOR, ALL STAINLESS STEEL, S-SHAPED, APPROX. 20' TOTAL, SINGLE LANE, APPROX. 8"W PLASTIC BELT, PLATE SHOWS MDL. DFM 500, S/N S-36019-03, #019-3B, *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:

Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
45			1	WING INCLINE CONVEYOR, A-SHAPED, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/MOTOR, DRIVE, APPROX. 20'L, PLATE SHOWS MDL. DFM 500, S/N 36019A-07A, #019A-07A *W/CHICKEN BREAST DEBONING LINE	*	*	*
46			1	WING INCLINE CONVEYOR, A-SHAPED, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/MOTOR, DRIVE, APPROX. 20'L, PLATE SHOWS MDL. DFM 500, S/N 36019A-07, #019A-07B *W/CHICKEN BREAST DEBONING LINE	*	*	*
47			1	WING TIP INCLINE CONVEYOR, A-SHAPED, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/MOTOR, DRIVE, MDL. DFM 500, S/N S-36019A05C W/#019A-05C *W/CHICKEN BREAST DEBONING LINE	*	*	*
48			1	CROSSOVER LADDER/PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, A-SHAPED, 3-STEP, W/HEAVY DUTY FIBERGLASS INSERTS, #019A-21B *W/CHICKEN BREAST DEBONING LINE	*	*	*
49			1	CROSSOVER LADDER/PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, A-SHAPED, 3-STEP, W/HEAVY DUTY FIBERGLASS INSERTS, #019A-21A *W/CHICKEN BREAST DEBONING LINE	*	*	*
50			1	CROSSOVER LADDER/PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, A-SHAPED, 3-STEP, W/HEAVY DUTY FIBERGLASS INSERTS, #19A-21C *W/CHICKEN BREAST DEBONING LINE	*	*	*
51			1	CROSSOVER LADDER/PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, A-SHAPED, 3-STEP, W/HEAVY DUTY FIBERGLASS INSERTS, #019A-21D *W/CHICKEN BREAST DEBONING LINE	*	*	*
52			1	WORK PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, (4) STEPS, WORK PLATFORM, FIBERGLASS INSERTS, #019A-X24 *W/CHICKEN BREAST DEBONING LINE	*	*	*
53			1	WORK PLATFORM, ALL STAINLESS STEEL CONSTRUCTED, (4) STEPS, WORK PLATFORM, FIBERGLASS INSERTS, #019A-X42 *W/CHICKEN BREAST DEBONING LINE	*	*	*
54			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15A *W/CHICKEN BREAST DEBONING LINE	*	*	*
55			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15B *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:

Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
56			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15C *W/CHICKEN BREAST DEBONING LINE	*	*	*
57			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15D *W/CHICKEN BREAST DEBONING LINE	*	*	*
58			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15E *W/CHICKEN BREAST DEBONING LINE	*	*	*
59			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15F *W/CHICKEN BREAST DEBONING LINE	*	*	*
60			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15G *W/CHICKEN BREAST DEBONING LINE	*	*	*
61			1	TENDER BREAST CONVEYOR SECTION, ALL STAINLESS STEEL CONSTRUCTED, SINGLE LANE, W/APPROX. 10'L DRIVE SECTION AND APPROX. 20'L IDLER NON-DRIVE SECTION, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, DISASSEMBLED IN PIECES IN YARD, S/N S36019A-15H *W/CHICKEN BREAST DEBONING LINE	*	*	*
62			1	WING COMMON CONVEYOR, (3) SECTIONS DISASSEMBLED, DRIVE SECTION APPROX. 20'L, INTERMEDIATE SECTION APPROX. 20'L, IDLER SECTION APPROX. 20'L, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, W/MOTOR, DRIVE, DRIVE SECTION SHOWS PLATE MDL. DFM 500 WITH S/N 36019A-08, #019A-08#1, #019A-08#2, AND #019A-08 *W/CHICKEN BREAST DEBONING LINE	*	*	*
63			1	FULL BOX CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, 2-LANE, INCLUDES APPROX. 30'L DRIVE SECTION W/PLASTIC KNUCKLE CHAIN CONVEYOR, MOTOR, DRIVE, PLATE SHOWS MDL. DFKP0900, S/N 36019A44S, #19A-44, ALSO INCLUDES 90° AND IDLER SECTION, 10' 2-LANE INTERMEDIATE SECTION, CURRENTLY DISASSEMBLED, *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

Code 1:

Code 2:

KOCH FOODS - SELECTED ASSETS

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
64			1	FULL BOX CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, 2-LANE, W/PLASTIC KNUCKLE CHAIN CONVEYOR, APPROX. 10' L DRIVE SECTION W/MOTOR, DRIVE, APPROX. 30' L IDLER SECTION, #019A-26 IDLER, 15' DRIVE SECTION W/MOTOR, DRIVE, DOUBLE LANE, W/PLASTIC KNUCKLE CHAIN CONVEYOR, 10' 2-LANE INTERMEDIATE SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
65			1	NUGGET INCLINE CONVEYOR, DISASSEMBLED IN (2) SECTIONS, ALL STAINLESS STEEL, SINGLE LANE, DRIVE SECTION MOUNTED ON STANDS, W/MOTOR, DRIVE, PLATE SHOWS MDL. DFM 500, S/N 36019-X6-S, #019A-X6#1 *W/CHICKEN BREAST DEBONING LINE	*	*	*
66			1	PRODUCT CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, TOP AND BOTTOM CONVEYORS, INCLUDES APPROX. 18" X 25' PLASTIC BELT CONVEYOR MOUNTED ON BOTTOM, APPROX. 12" X 20' TOP MOUNTED PLASTIC BELT CONVEYOR, W/MOTORS, DRIVES, ALL STAINLESS STEEL FRAME, STAND MOUNTED, PLATE SHOWS MDL. DFM 500, S/N S36019-09, #019-09 AND #019-10 *W/CHICKEN BREAST DEBONING LINE	*	*	*
67			1	BOX CONVEYOR, APPROX. 18" X 20' PLASTIC CONVEYOR, ALL STAINLESS STEEL FRAME, STAND MOUNTED, W/MOTOR, DRIVE, #019A-37 *W/CHICKEN BREAST DEBONING LINE	*	*	*
68			1	WORK STAND, ALL STAINLESS STEEL CONSTRUCTED, TUBULAR STEEL MOUNTED, APPROX. 26" X 20' STAINLESS STEEL RIBBED FLOORING, #019A-19A *W/CHICKEN BREAST DEBONING LINE	*	*	*
69			1	WORK STAND, ALL STAINLESS STEEL CONSTRUCTED, TUBULAR STEEL MOUNTED, APPROX. 26" X 20' STAINLESS STEEL RIBBED FLOORING, #019A-19B *W/CHICKEN BREAST DEBONING LINE	*	*	*
70			1	WORK STAND, ALL STAINLESS STEEL CONSTRUCTED, TUBULAR STEEL MOUNTED, APPROX. 26" X 20' STAINLESS STEEL RIBBED FLOORING, #019A-19C *W/CHICKEN BREAST DEBONING LINE	*	*	*
71			1	WORK STAND, ALL STAINLESS STEEL CONSTRUCTED, TUBULAR STEEL MOUNTED, APPROX. 26" X 20' STAINLESS STEEL RIBBED FLOORING, #019A-19D *W/CHICKEN BREAST DEBONING LINE	*	*	*
72			1	WORK STAND, ALL STAINLESS STEEL CONSTRUCTED, TUBULAR STEEL MOUNTED, APPROX. 26" X 20' STAINLESS STEEL RIBBED FLOORING, #019A-X42 *W/CHICKEN BREAST DEBONING LINE	*	*	*
73			1	GRAVITY CONVEYOR SECTION, PLASTIC ROLLERS, APPROX. 12" X 10', ALL STAINLESS STEEL, #019A-X23, (6) TOTAL SECTIONS, CURRENTLY DISASSEMBLED IN YARD *W/CHICKEN BREAST DEBONING LINE	*	*	*

# APPRAISAL

KOCH FOODS - SELECTED ASSETS

Code 1:  
Code 2:

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
74			1	EMPTY BOX CONVEYOR, ALL STAINLESS STEEL, INCLUDES (4) SECTIONS OF 10" X 20" PLASTIC INTERLOCKING CONVEYOR, (1) SECTION OF APPROX. 10" X 15' PLASTIC INTERLOCKING CONVEYOR, (1) S-SHAPED SECTION OF APPROX. 10" X 20' PLASTIC INTERLOCKING CONVEYOR, ALL STAINLESS STEEL FRAME, (1) PLATE SHOWS MDL. DFX 500 WITH S/N 36019A-X22, #019A-X22 AND #019AS21, INCLUDES ALL MOTORS, DRIVES, VALUED AS COMPLETE SETUP, CURRENTLY DISASSEMBLED IN YARD, *W/CHICKEN BREAST DEBONING LINE	*	*	*
75			1	EMPTY BOX INCLINE CONVEYOR, APPROX. 16" X 15', STAND MOUNTED, ALL STAINLESS STEEL FRAME, PLATE SHOWS MDL. DFM 500, S/N S36019A-X20, (NO MOTOR OR DRIVE) *W/CHICKEN BREAST DEBONING LINE	*	*	*
76			1	FULL BOX CONVEYOR, ALL STAINLESS STEEL FRAME, 2-LANE FEED, 3-LANE OUTFEED, CURVED SECTION, PLASTIC KNUCKLE CONVEYOR, PLATE SHOWS MDL. DFFBS301, S/N S36019A-39, #019A-39, 10' 2-LANE INTERMEDIATE SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
77			1	FULL BOX CONVEYOR, ALL STAINLESS STEEL CONSTRUCTED, DOUBLE LANE, PLASTIC KNUCKLE CHAIN CONVEYOR, INCLUDES 10' DRIVE SECTION W/MOTOR AND DRIVE, 90° SECTION, PLATE SHOWS MDL. DFKPC900, S/N 36019A-32A, #19A-32A, 10' 2-LANE INTERMEDIATE SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
78			1	FULL BOX CONVEYOR, DOUBLE LANE, W/PLASTIC KNUCKLE CHAIN CONVEYOR, MOTOR, DRIVE, INCLUDES OFFSET SECTION, APPROX. 15' TOTAL, PLATE SHOWS MDL. DFKPC900, S/N S36019A-28, #019A-28 #1, 10' 2-LANE INTERMEDIATE SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
79			1	FULL BOX CONVEYOR, 2-LANE, ALL STAINLESS STEEL CONSTRUCTED, PLASTIC KNUCKLE CHAIN CONVEYOR, INCLUDES APPROX. 10' DRIVE SECTION W/MOTOR, DRIVE, 90° SECTION, IDLER SECTION, PLATE SHOWS MDL. DFK9C900, S/N S36019A-43, #019A-43 #1, 10' 2-LANE INTERMEDIATE SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
80			1	FULL BOX CONVEYOR, ALL STAINLESS STEEL, DOUBLE LANE, PLASTIC KNUCKLE CHAIN CONVEYOR, PLATE SHOWS MDL. DFKPC900, S/N S36019A-3, APPROX. 4' DRIVE SECTION W/MOTOR, DRIVE, ALSO INCLUDES 10' INTERMEDIATE AND 90° SECTION *W/CHICKEN BREAST DEBONING LINE	*	*	*
81			LOT	ANCILLARY EQUIPMENT, INCLUDING BUT NOT LIMITED TO ASSORTED ERGO STANDS W/FIBERGLASS INSERTS, BELTING NOT LISTED W/LINES (LOCATED ON SKIDS IN YARD), (2) TABLES W/#019-11 AND #019A-18#1, ASSORTED ELECTRICS, SPARE MOTORS, DRIVES, ALL RELATED PERIPHERAL EQUIPMENT NOT OTHERWISE LISTED, CURRENTLY DISASSEMBLED IN YARD *W/CHICKEN BREAST DEBONING LINE	*	*	*

**APPRAISAL**

Code 1:

Code 2:

KOCH FOODS - SELECTED ASSETS

Date : 10/19/07

Line	C1	C2	Qty	Description	ORD	FMV	FMP
82			1	<p>SPIRAL FREEZER, AGA/FRIGOSCANDIA, DRAWINGS SHOWS #GC-76, PROJECT #Q101-85, GYRO COMPACT GC, DRAWING ALSO SHOWS DATE 6/10/92, LIST SHOWS MDL. GCM-76-08-26-NS-CCR, S/N 00530143, APPROX. 10'H SPIRAL CONVEYOR, APPROX. (40) TIERS, 2-1/2" SPACING, 28"W STAINLESS STEEL CONVEYOR, BOTTOM RIGHT ENTRY/TOP RIGHT EXIT, W/MOTORS, DRIVES, ALL MOUNTED INSIDE APPROX. 30' X 12' X 20'H STAINLESS STEEL PANEL CONSTRUCTED WALK-IN FREEZER, APPROX. 25' X 12' X 15'H INTERIOR DIMENSIONS, REFRIGERATION SYSTEM MOUNTED IN REAR W/REFRIGERATION COILS, BLOWER SYSTEM W/(2) APPROX. 40 HP MOTORS, SELF-STACKING BELT SYSTEM, AIR DEFROST SYSTEM AND CIP SYSTEM MOUNTED ON OUTSIDE OF PANELS, ALL RELATED PIPING, VALVES, FLANGES, ELECTRICS, ALSO INCLUDES STAND ALONE POWER SUPPLY/CONTROL W/SIEMENS COMPUTER CONTROLS, CONTROL CABINET PLATE SHOWS SUPERIOR CUSTOM CONTROLS IN SEATTLE, WA, MDL. 2323/5280, S/N 061493, RELATED HARDWARE, SOFTWARE, ELECTRICS, PRINCIPAL INDICATES NOT COMPLETELY INSTALLED, NOT IN OPERATION AT TIME OF INSPECTION, VALUED IN PRESENT CONDITION</p>	75,000.00	100,000.00	225,000.00

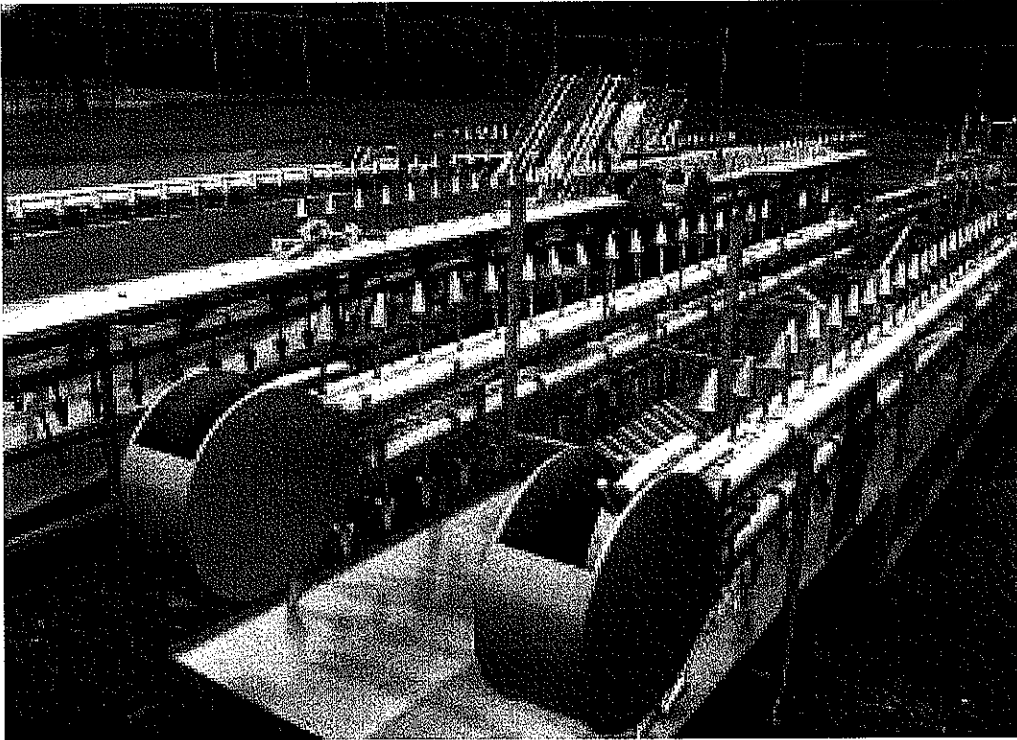
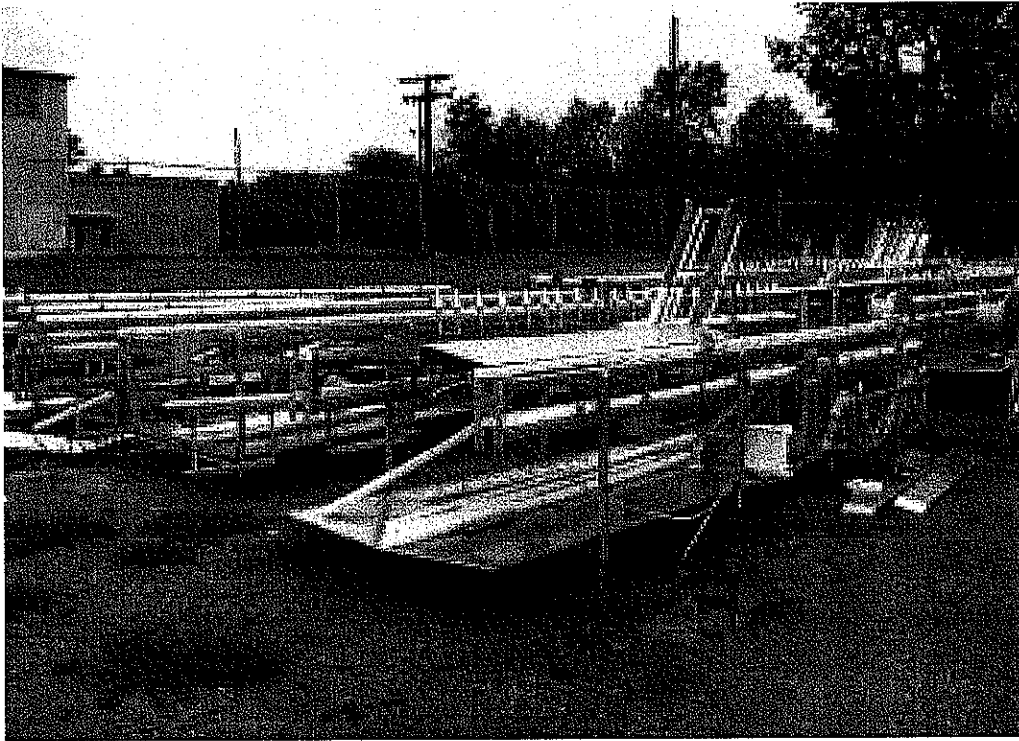
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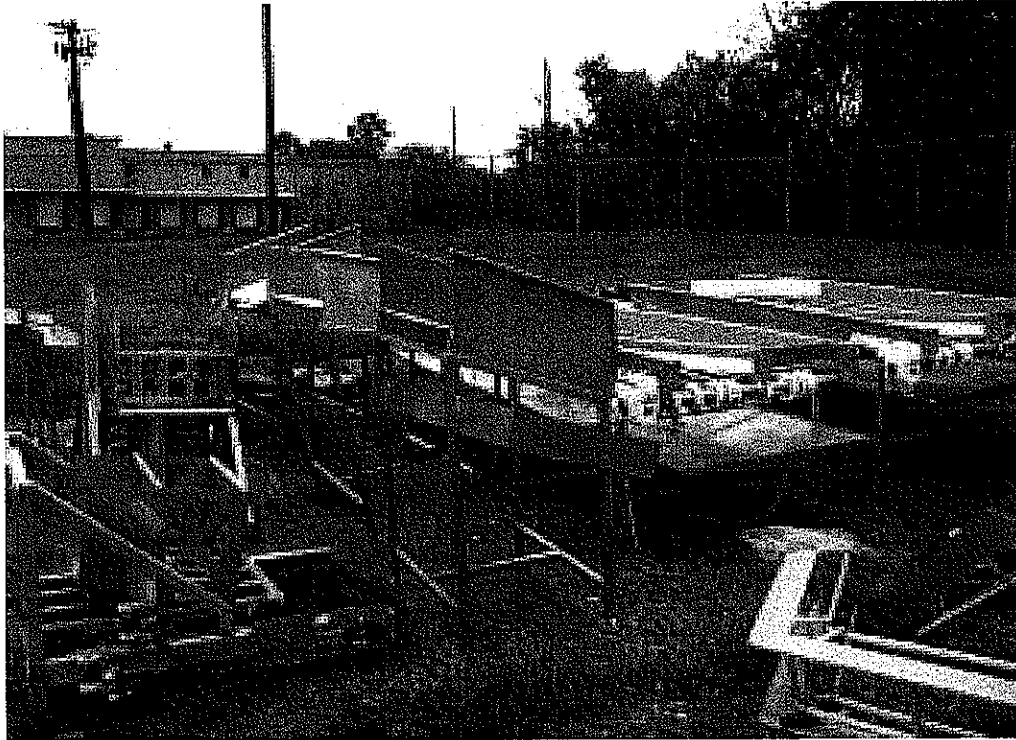
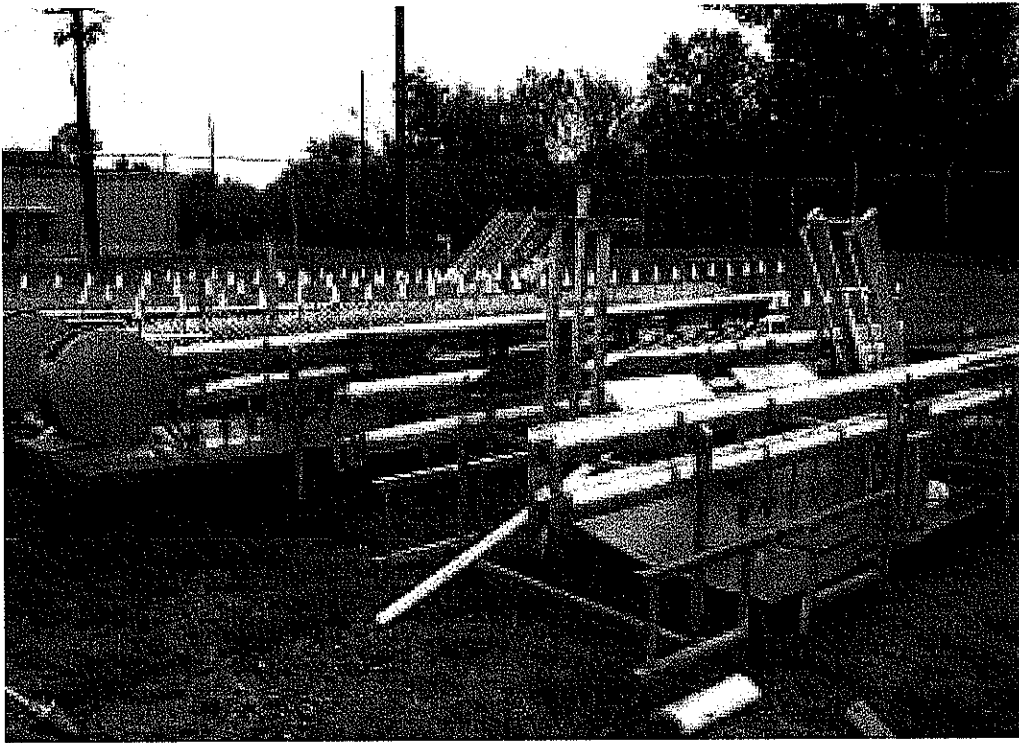
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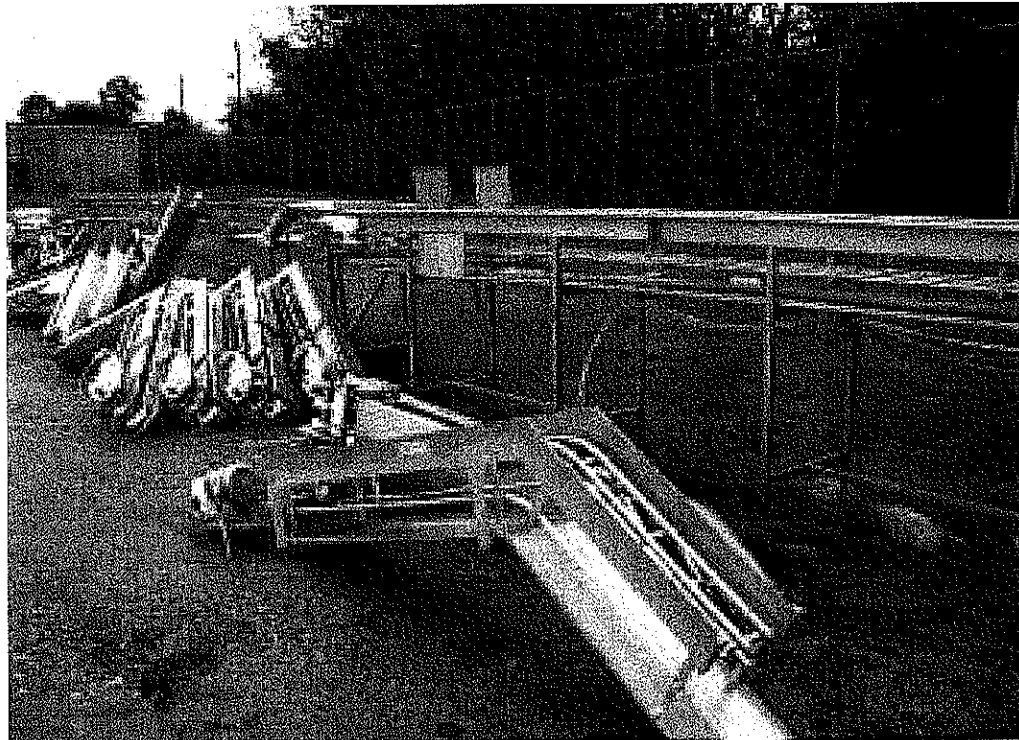
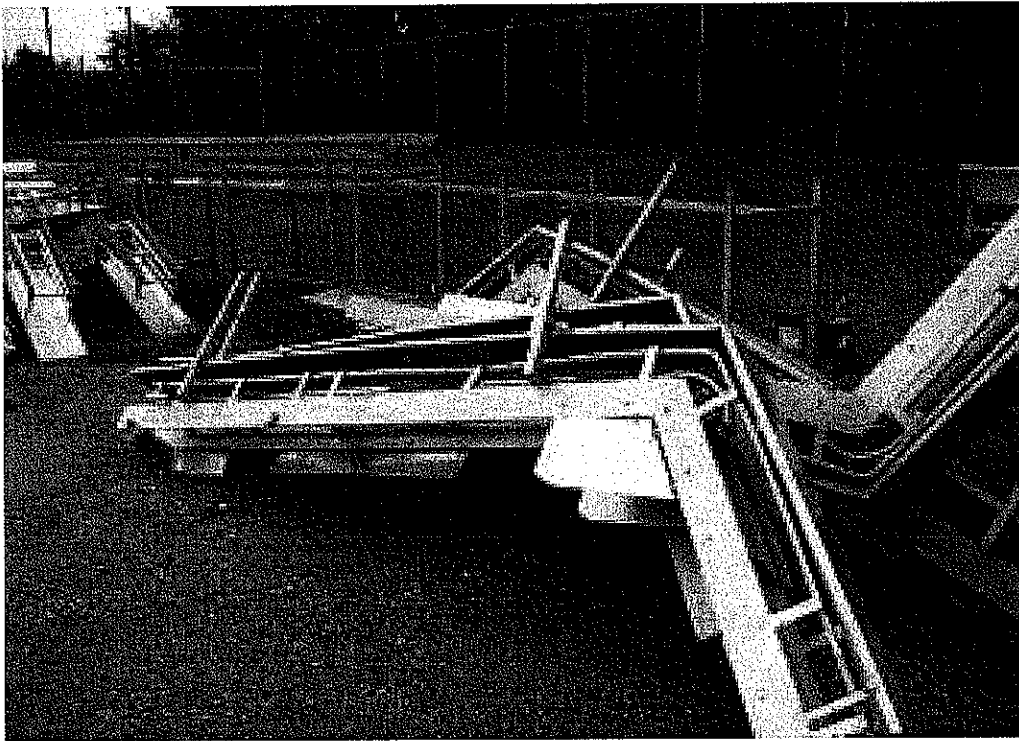
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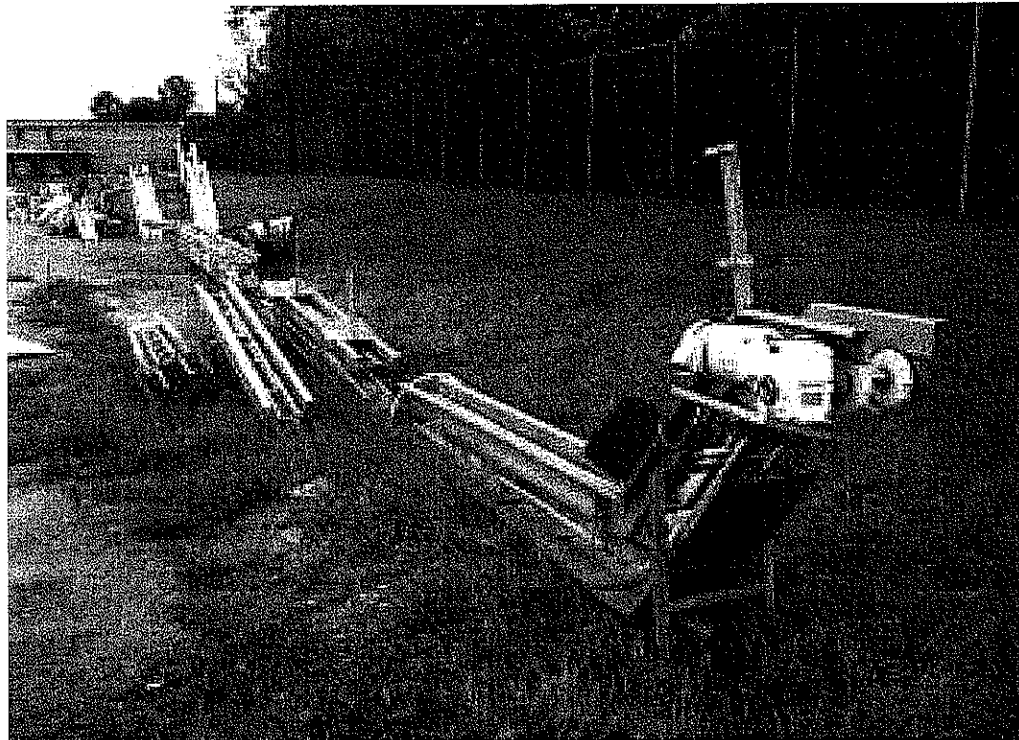
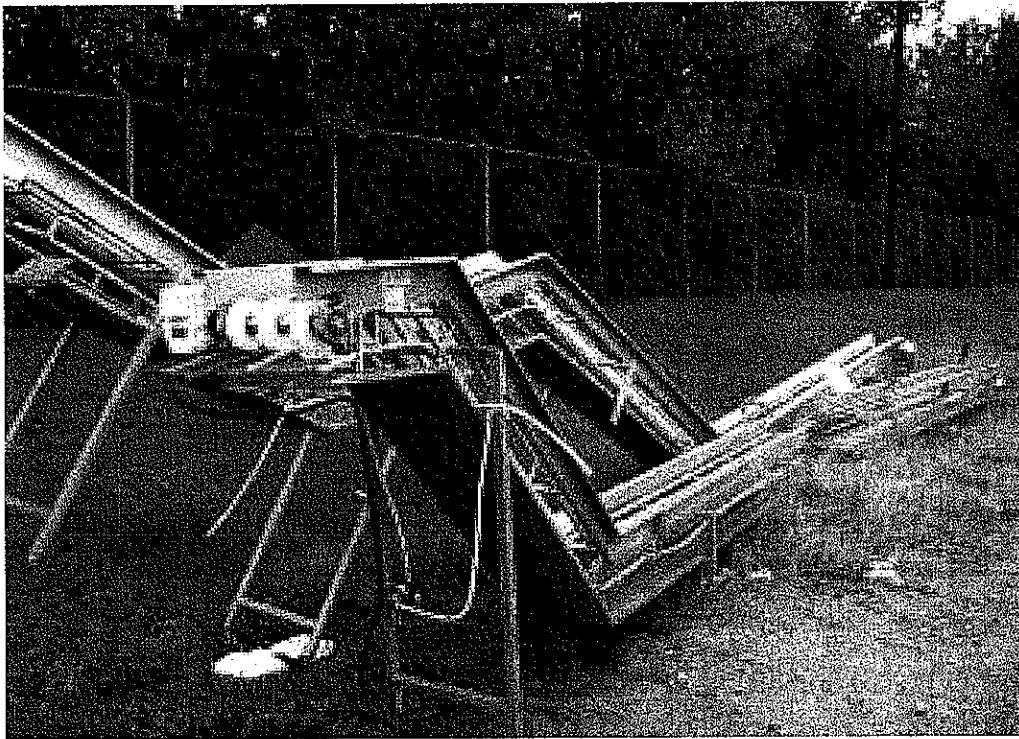
PHOTOGRAPHS

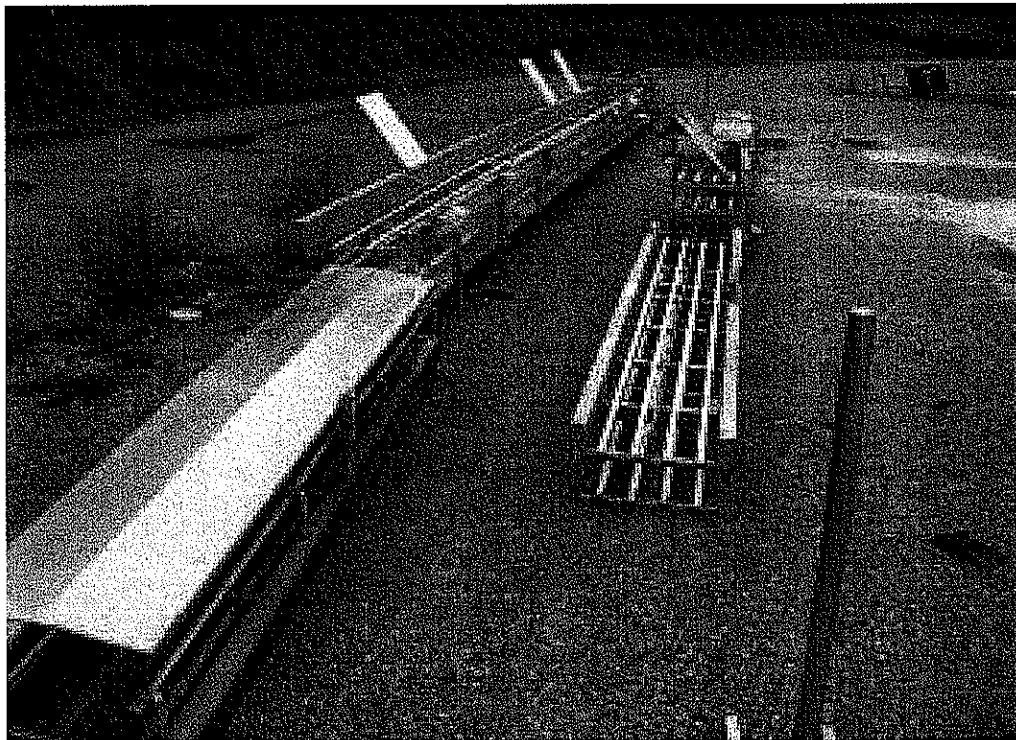
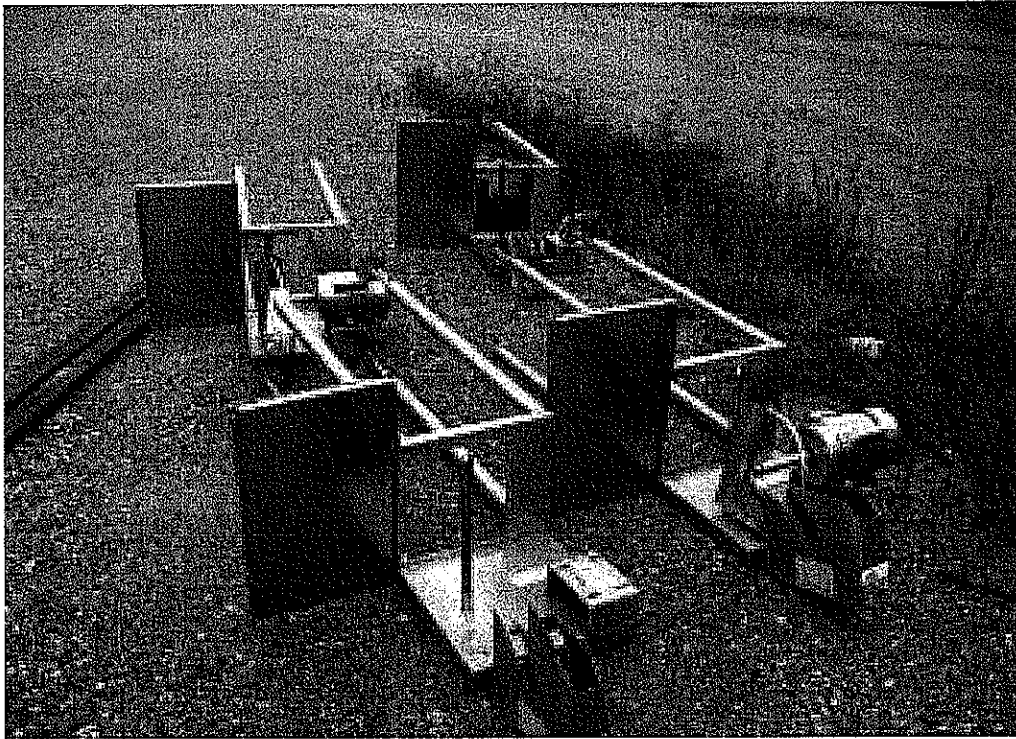
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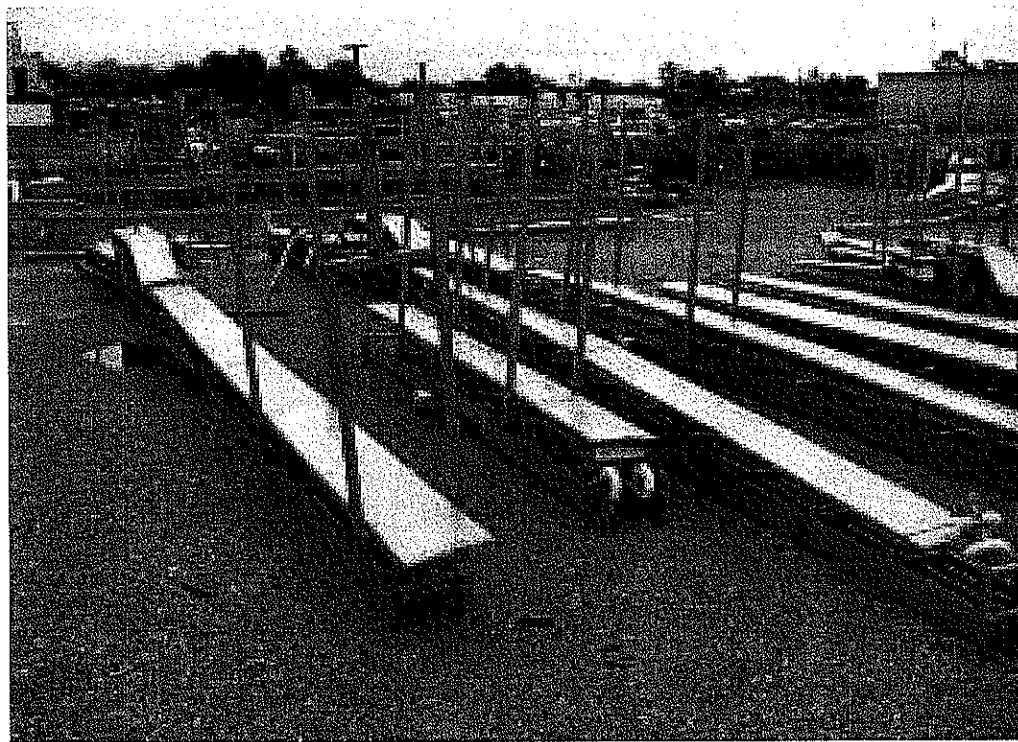


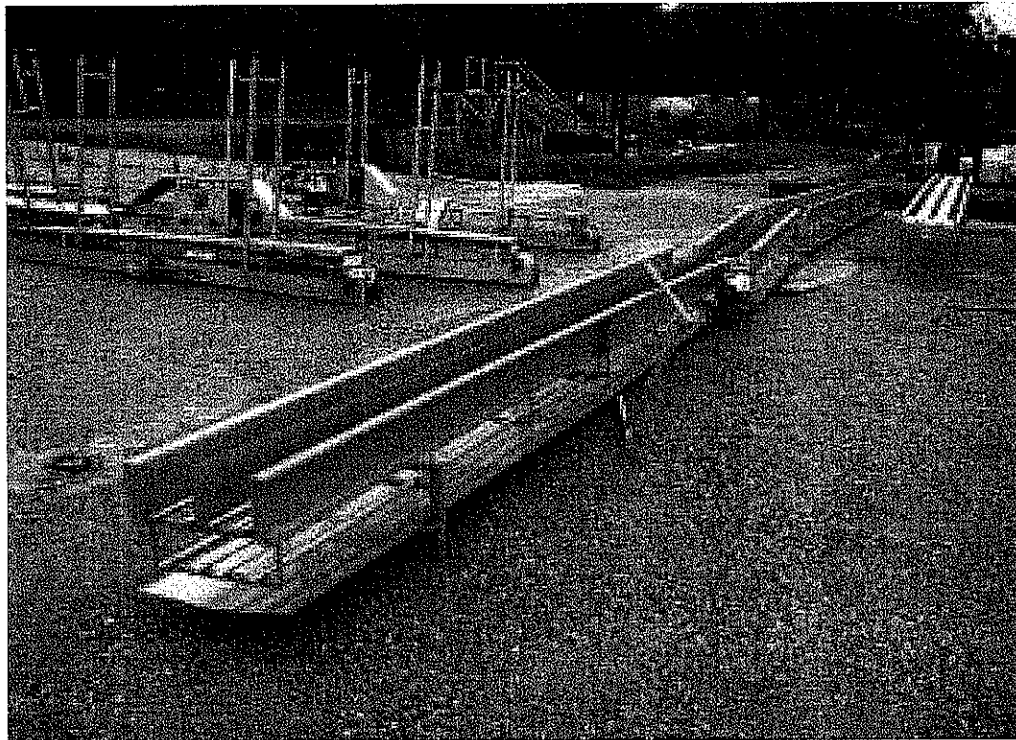
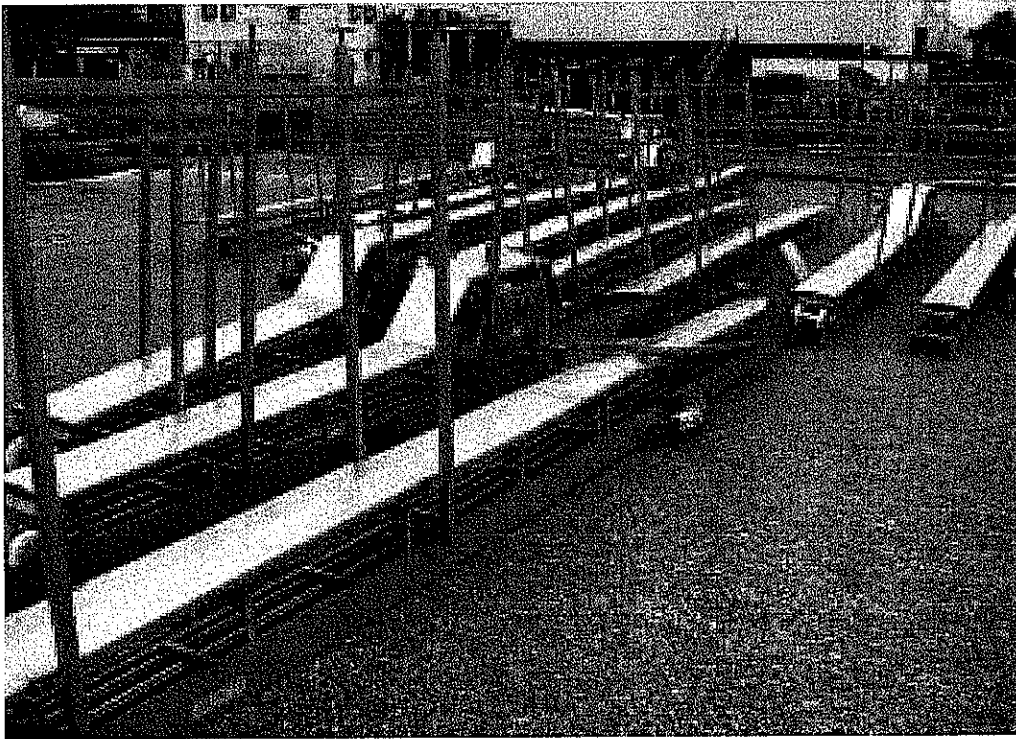


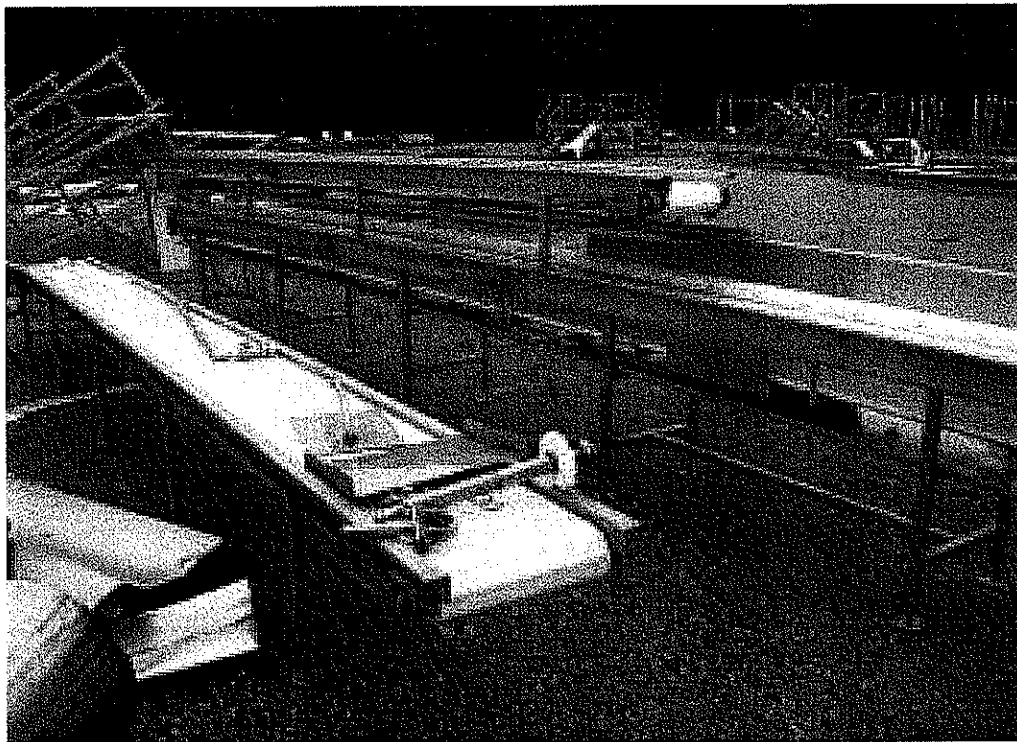
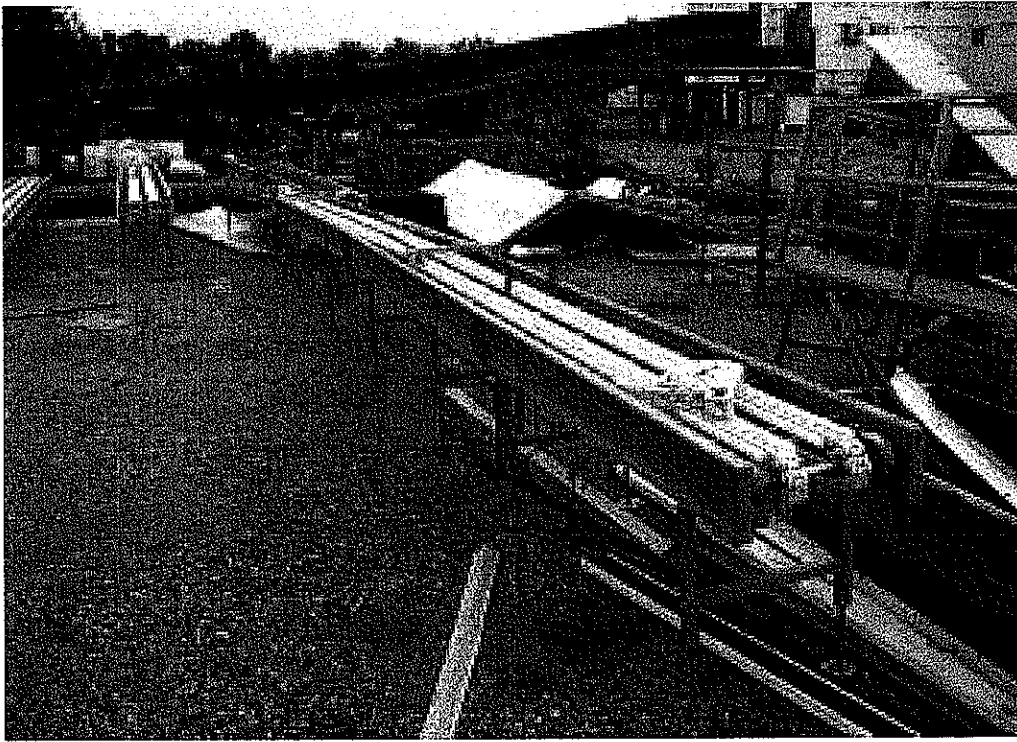


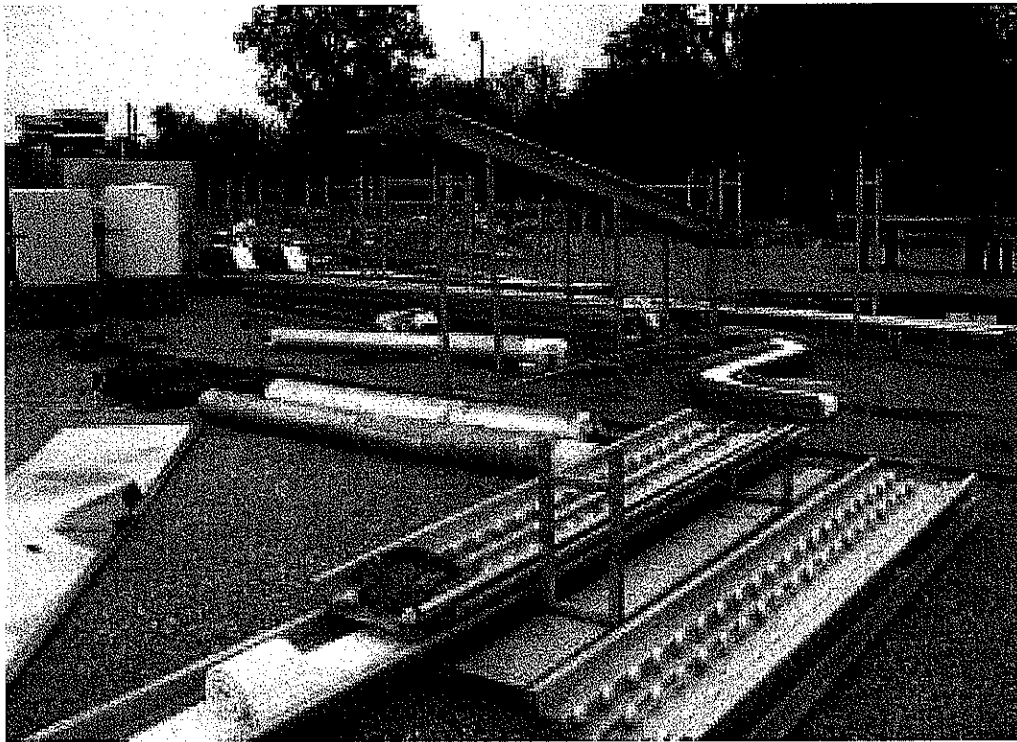
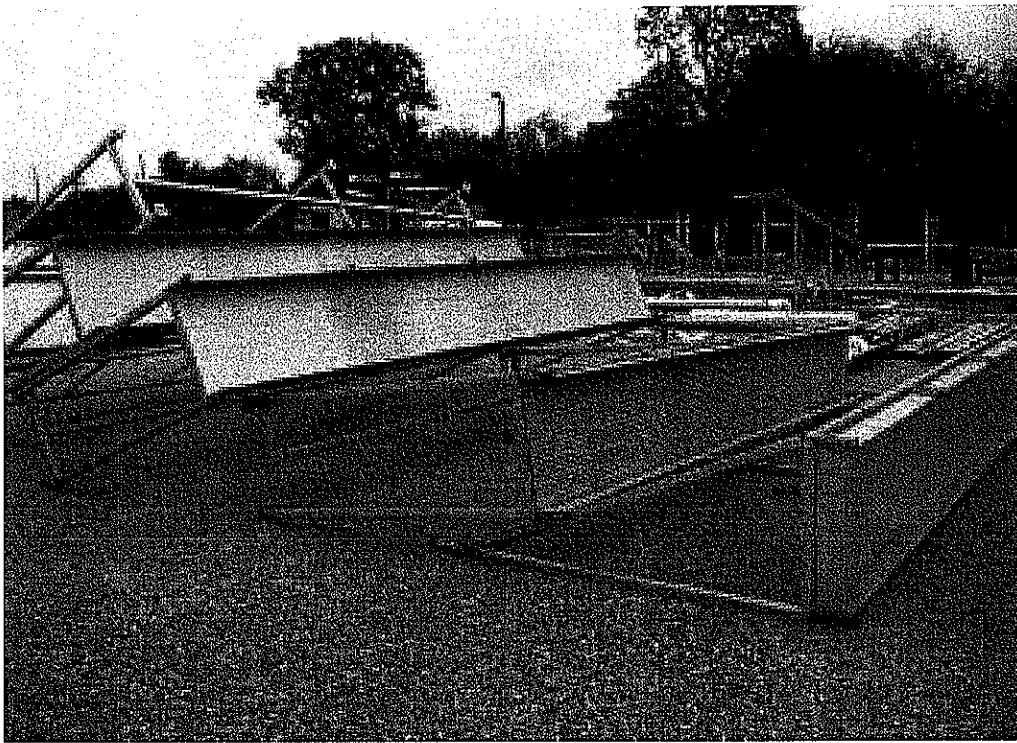


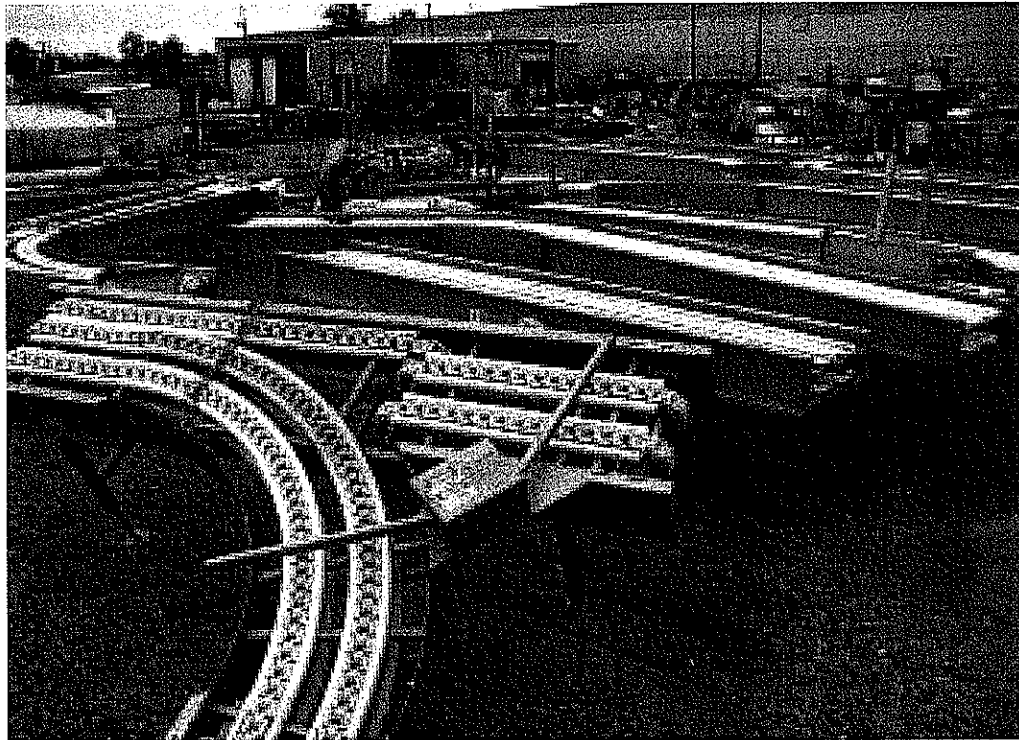
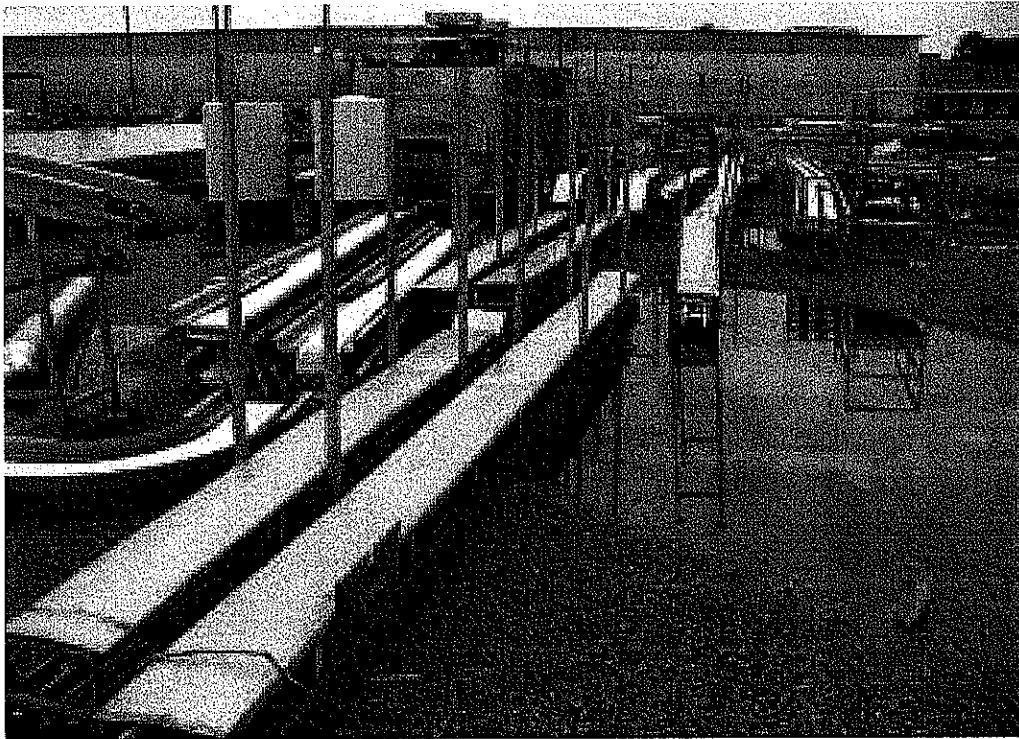




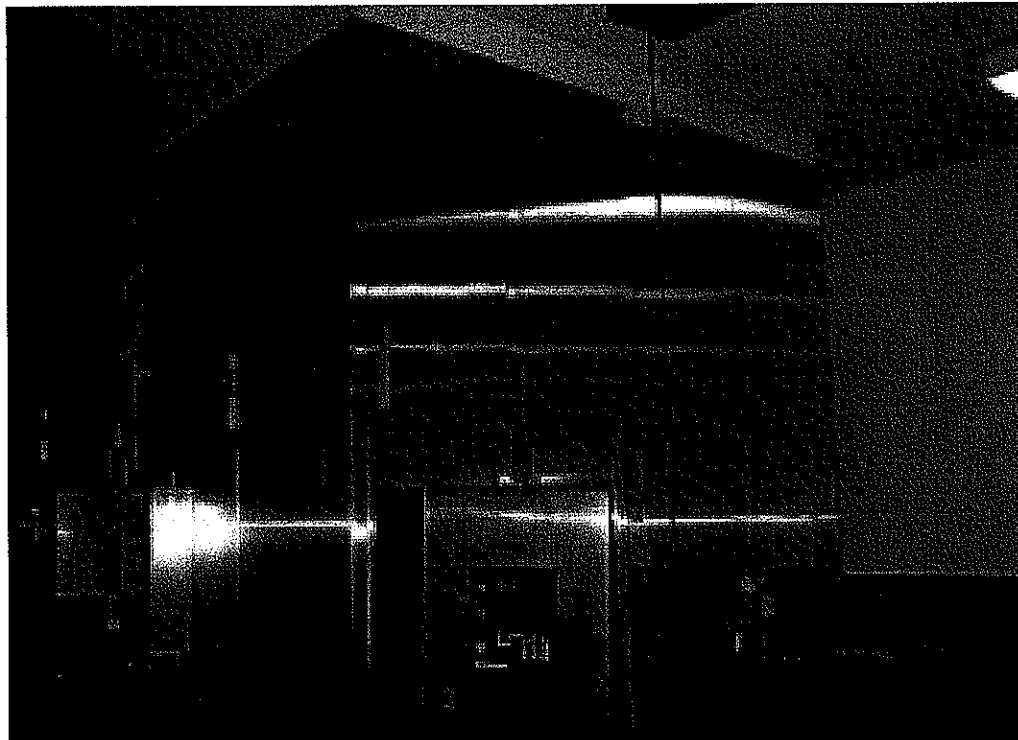
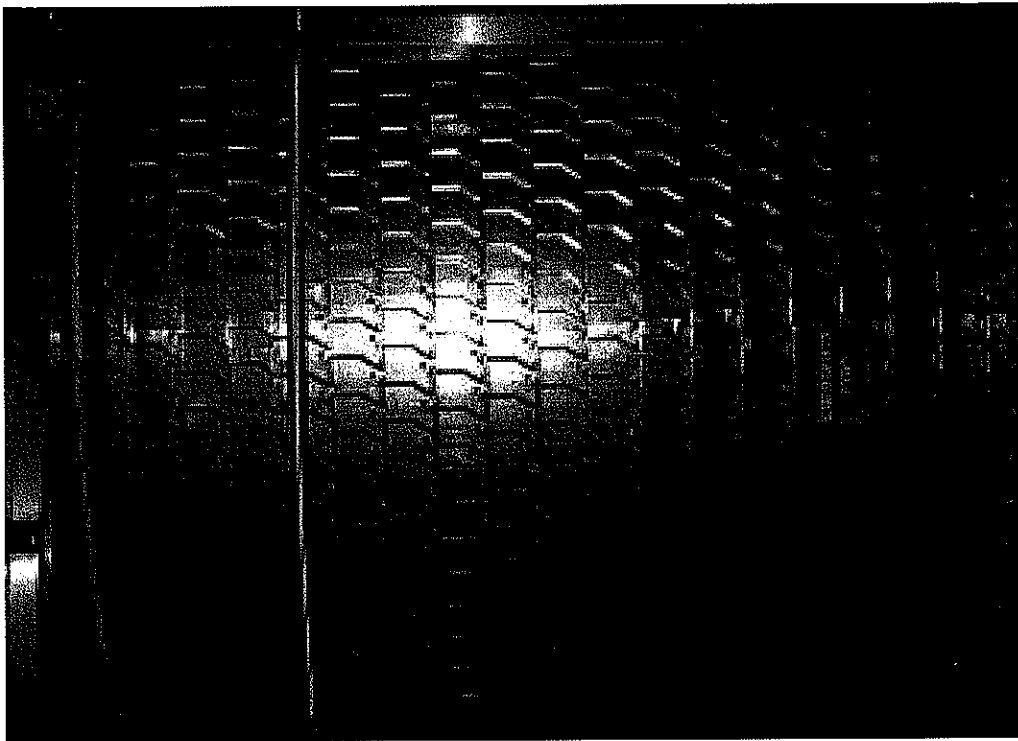


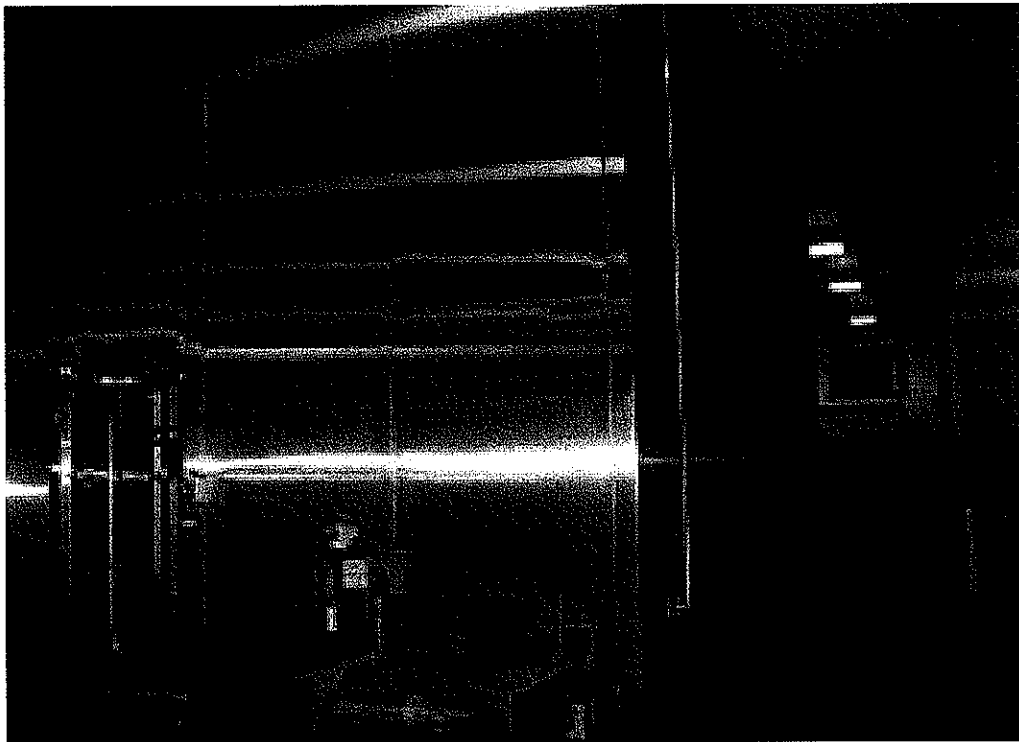
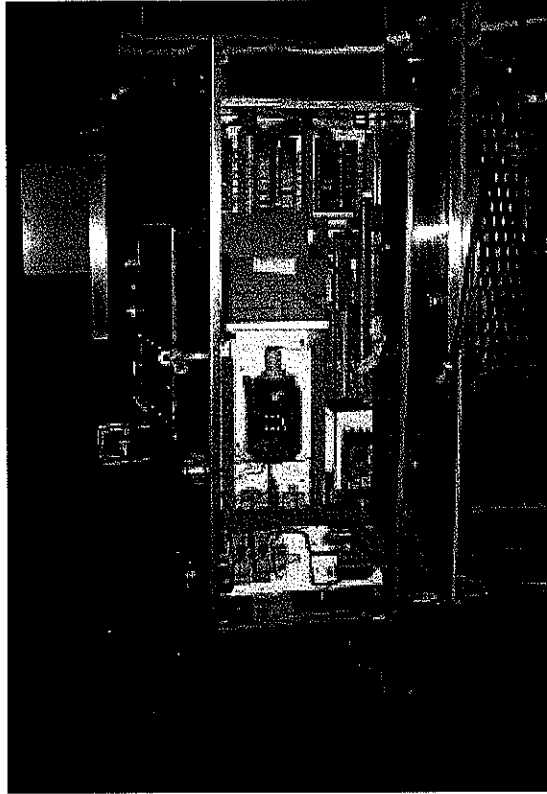












CERTIFICATE OF APPRAISER

I certify that:

- 1) I personally examined the property appraised;
- 2) the statements contained in this appraisal and upon which the opinions expressed herein are based are true and correct to the best of my knowledge and belief, subject to the limiting conditions set forth;
- 3) to the best of my knowledge and belief, no pertinent information has been overlooked or withheld; and
- 4) I have no interest either presently or contemplated in the property appraised or in any proceeds to be derived therefrom. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

ROSEN SYSTEMS, INC.



David A. Dalfonso, CEA  
Vice President

I hereby certify that I reviewed this appraisal.



Michael D. Rosen  
President

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QUALIFICATIONS

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## ***ROSEN SYSTEMS, INC.***

Rosen Systems, Inc., is a comprehensive national appraisal organization, evolving from Ralph Rosen Associates which began operations in 1917. Through the years, there has been increasing demand for Rosen Systems, Inc.'s appraisal services as a result of asset-based lending, merger and acquisition activities, and asset management/disposition requirements.

The company's position of eminence within the profession and national acceptance has resulted from:

- Leadership and membership in the National Association of Machinery and Equipment Appraisers organization and CEA certification of M&E appraisers, along with years of practical knowledge of the marketplace and asset valuing experience.
- Commercial/Industrial Real Estate Appraisers with multi-state GREA certification and national property valuation experience.
- Appraiser versatility in multiple value concepts.

Over eighty years of sales and appraisal experience, combined with Rosen Systems, Inc.'s proven valuation techniques, have been carefully coordinated to meet the unique needs of each client. This experience level finds Rosen Systems, Inc.'s appraisals accepted by major lenders in the United States and recommended by them as one of their primary sources for asset value indications. We are particularly well organized to suit the needs of those involved in the financing community generally. We have completed numerous appraisals in both Canada and Mexico.

Rosen Systems, Inc., includes appraisal departments which focus on values for making lending decisions as well as hard asset allocations subsequent to mergers/acquisitions as follows:

- Real Estate
- Machinery and Equipment
- Inventories (Manufacturing, Wholesale and Retail)
- Market Studies

### **ANCILLARY SERVICES INCLUDE:**

- Updating and appraisal revision
- Review of appraisals performed by others
- Desk-Top Opinions or informal value studies
- Market and Industrial Surveys

As a full service organization offering business, industry and financial institutions accurate appraisals, Rosen Systems, Inc. includes in its list of national clients many of the top institutional and commercial lenders, and numerous Fortune 500 companies.

ATLANTA · CHARLOTTE · DALLAS · FORT LAUDERDALE · HOUSTON

### *For Further Information Contact:*

Rosen Systems, Inc.  
17744 Preston Road, Suite 100  
Dallas, Texas 75252-5736  
(972) 248-2266 · (800) 527-5134 · FAX: (972) 248-6887  
<http://www.rosensys.com>

## QUALIFICATIONS

David A. Dalfonso, CEA  
ROSEN SYSTEMS, INC.

### EXPERIENCE & BUSINESS ASSOCIATIONS:

1. Vice President/Appraiser - Rosen Systems, Inc.
2. Expert Witness, Federal Bankruptcy Courts
3. Senior Market Analyst - Rosen Systems, Inc.
4. Research and Marketing Background
5. Consumer Finance Background
6. Oilfield Experience
7. Steel Production Experience

### EDUCATION:

1. Bachelor of Science - College of Steubenville - Business Management
2. Additional Studies include Economics, Accounting, and Marketing

### MEMBERSHIPS:

1. Machinery Dealers National Association, (MDNA) Member
2. Association of Machinery and Equipment Appraisers (AMEA) - CEA

### APPRAISAL & RESEARCH ASSIGNMENTS:

1. Auction Value
2. Orderly Liquidation Value
3. Fair Market Value
4. Fair Market Value In Place
5. Replacement Value

### ADDITIONAL INFORMATION:

1. *Demystifying The Appraisal Process*, "THE SECURED LENDER," Nov./Dec. '94, Vol. 50, Number 6.
2. Contributor/Associate Editor, Market Update Report -- a value-oriented article generated for major lending institutions.
3. Featured Speaker, Rosen Systems, Inc. - Educational Seminars.

Note: Specific references and/or assignments can be furnished upon request.

## QUALIFICATIONS

Michael D. Rosen, CEA  
ROSEN SYSTEMS, INC.

### EXPERIENCE & BUSINESS ASSOCIATIONS:

1. President, Rosen Systems, Inc.
2. Licensed Auctioneer since 1970, TXL 6732
3. Marketing and Merchandising
4. President, Association of Machinery and Equipment Appraisers

### EDUCATION:

1. BBA with Management Emphasis - University of Texas
2. Additional courses - Real Estate and Appraisal

### MEMBERSHIPS:

1. Machinery Dealers National Association, Former Director
2. Association of Machinery and Equipment Appraisers - Certified Machinery and Equipment Appraiser, Past President, Director
3. Industrial Auctioneers Association - Charter Member, Director, Treasurer

### APPRAISAL AND SALE ASSIGNMENTS:

1. Industrial Machinery & Equipment and Inventories
  - (a) Metalworking machinery
  - (b) Woodworking machinery
  - (c) Contractor's equipment
  - (d) Transportation
  - (e) Oilfield
  - (f) Printing
  - (g) Electronics
  - (h) Textile equipment
  - (i) Office furniture and equipment

### APPRAISAL VALUE EXPERIENCE:

1. Insurance Value
2. Fair Market Value
3. Fair Market Value In Place
4. Auction Value
5. Salvage Value

### ADDITIONAL INFORMATION:

1. Real Estate Broker License #191785, File #92631
2. Speaker at National Commercial Finance Association Appraisal & Liquidation Workshops

Note: Specific references and/or assignments can be furnished upon request.

# Rosen Systems, Inc.

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<http://www.rosensys.com>

October 30, 2007

Mr. Mike Zhiyuan Xu  
Schiff Hardin, LLP  
6600 Sears Tower  
Chicago, IL 60606

Re: Selected Assets of Koch Foods

Dear Mr. Xu,

This letter will serve as an addendum to the machinery and equipment appraisal of selected assets of the above referenced company recently performed by Rosen Systems, Inc. The values presented in the appraisal report are an objective opinion of values based on market research, sales comparisons (where possible) and the current condition of the assets under appraisal. We reviewed trade publications and conferred with industry professionals during the course of our research.

The chicken breast deboning line is currently disassembled and stored in the Koch Foods yard in Montgomery, Alabama. The spiral freezer is currently partially installed inside the company's plant. It lacks all the necessary piping to the ammonia compressors and the related electrics. The spiral freezer has never been in operation according to company personnel. The values presented in the report are based on the current status of these assets.

According to the same company personnel the chicken breast deboning line was purchased new and installed in late 2005. It remained in operation until May 2007, when it was dismantled and stored in the yard. We valued this as a complete line as it is our opinion that is how it would be sold to maximize its value.

The Fair Market Value In Place values assume the equipment will continue to be used at its current location. It adds value for transportation and installation. The fact that the deboning line has been dismantled limits its additional value under this concept. The Fair Market Value assumes that the equipment will be dismantled and transported to another location and is valued accordingly.

In addition to the work I performed in calculating the values, the appraisal was reviewed by Michael Rosen, President of Rosen Systems, Inc. and a past president of the AMEA. Our firm also conducts public auction sales and liquidations of many types of machinery and equipment in various industries including food processing.

For further information about this appraisal, please read carefully the appraisal report, particularly the Statement of Limiting Conditions, Definitions and Qualifications pages. If you have any further questions, please do not hesitate to call me.

Thank you for the opportunity to be of service in this matter.

Respectfully submitted,

ROSEN SYSTEMS INC.

A handwritten signature in black ink, appearing to read "David A. Dalfonso". The signature is stylized with a large, looped "D" and a cursive "A".

David A. Dalfonso, CEA  
Vice President